FOREIGN AFFAIRS

MAY/JUNE 2001

Europa, Europa

William Wallace & Antony Blinken dissect the transatlantic alliance, and Andrew Moravcsik takes on the Euroskeptics

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The New Geography of Conflict
MICHAEL KLARE

Why the Trade Deficit Doesn't Matter
JOSEPH QUINLAN & MARC CHANDLER

The Folly of Antisatellite Weapons
MICHAEL KREPON

Libya's Thaw, Ukraine's Meltdown

RAY TAKEYH • ADRIAN KARATNYCKY

Plus Jeffrey Herbst *on* the genocide in Rwanda, James Adams *on* the risk of cyber-attack, *and* Robert Pozen *on* European capital markets

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FOREIGN AFFAIRS

MAY/JUNE 2001
VOLUME 80, NUMBER 3

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Lost in Space *Michael Krepon* 2

Before taking office, the new secretary of defense chaired a panel that warned that the United States would soon face a sneak attack in space. Rumsfeld was right to note that the country is more dependent on its satellites than ever before. But building antisatellite weapons will only trigger an arms race, increasing the danger for all sides.

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The world of European finance is changing dramatically: capital markets are displacing banks as both savings vehicles and sources of corporate finance. This shift, along with the growing integration of Europe's financial markets, could create promising new opportunities for investors around the globe.

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In many areas, transatlantic cooperation is stronger than ever before. Yet the common perception is of an increasingly fraught relationship, as evidenced by the well-known disputes over beef, bananas, and burden sharing. Assumptions are diverging over security risks and cultural values. Each side criticizes the other's unwieldy policymaking process without admitting its own shortcomings, while leaders pander to domestic interests and prejudices without educating voters on international issues. Europe nonetheless remains indispensable to a multilateral U.S. foreign policy. The Bush administration must acknowledge the European Union as a true partner, in political and military matters as well as in economics. America cannot expect its allies to share the burdens of global leadership without allowing them their say in the issues at stake.

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European elites lambaste the United States for bad behavior at home and hegemonic hubris abroad. These Europeans see an ominous transatlantic "values gap" emerging over the death penalty, guns, "Frankenfoods," and unchecked capitalism. And Washington's unilateralist obstinance on issues such as missile defense, land mines, and global warming only makes matters worse. But a closer look shows that Europe and the United States are in fact converging culturally, economically, and even strategically. This phony crisis in relations only makes it more difficult to tap the full potential of the transatlantic partnership.

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Comments

The best way to protect American commerce and security is to avoid putting weapons in space.

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Lost in Space

The Misguided Drive Toward Antisatellite Weapons

Michael Krepon

Before becoming President George W. Bush's surprise choice to run the Pentagon, Donald Rumsfeld chaired not one, but two, major advisory panels. Only the first of these commissions ever received much attention in the media, however. This owed, in part, to its dramatic warning: that the threat of a ballistic missile attack on the United States was "evolving more rapidly" than was previously thought by American intelligence. The commission's 1998 report, the conclusions of which caught many Americans by surprise, had powerful repercussions in Washington. And it was at least indirectly responsible for President Bill Clinton's decision to accelerate his missile defense plans.

The second Rumsfeld panel, known as the Commission to Assess United States National Security Space Management and Organization, released its report this January. So far, the document has received little attention. Its conclusions, however, are just as alarming as those of the first Rumsfeld report and could have an even greater impact. The study warns that the United States may someday soon face a "Space Pearl Harbor"—that is, a devastating sneak attack against U.S. satellites orbiting the planet. The report warns that the United States is highly dependent on satellites, and that the means to disrupt or destroy its space systems have become readily accessible to countries or groups hostile to the United States. Space warfare, the commission argues, has become "a virtual certainty": "[W]e know from history that every medium—air, land, and sea—has seen conflict. Reality indicates that space will be no different." The report urges American leaders to reduce the country's vulnerability by developing "superior space capabilities," including the ability to "negate the hostile use of space against U.S. interests." This would require "power projection in, from, and through space"—in other words, the development, testing, and deployment of antisatellite weapons (ASATs) based in space or on earth.

The report does not specify how exactly American superiority in space should be achieved. The details were left to the incoming president and the Pentagon,

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MICHAEL KREPON is President Emeritus of the Henry L. Stimson Center and Co-Editor of *Global Confidence Building: New Tools for Troubled Regions.*

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which Rumsfeld now heads. And President Bush has yet to tip his hand and show what steps he plans to take. But if Rumsfeld and Bush get serious about seizing the strategic high ground of space, the fallout from their decision will be severe. The repercussions will include new international competition to put weapons in space, further strains in alliance relations, closer strategic cooperation between Russia and China, deeper partisan division at home, weakened nonproliferation treaties, and, ironically, greater difficulties in developing one of the Bush administration's cherished goals—missile defense. For these many reasons, the temptations to embark on a new, armed space race must be avoided.

SPACE INVADERS

The language and logic of the Rumsfeld space report evoke the worst periods of the Cold War, when fears of surprise attack were common and (as a result) calls for dominating space were often heard. Such sentiments were typified by then Senator (and aspiring presidential candidate) Lyndon Johnson when, after the launch of *Sputnik* in 1957, he declared that "out in space, there is the ultimate position—from which total control of the earth may be exercised. ... [O]ur national goal and the goal of all free men must be to win and hold that position." During this period, U.S. Air Force policy was predicated on the assumption that "spacepower will be as decisive in future combat as airpower is today."

Despite their fears of losing the advantage in space, both the United States and the Soviet Union exercised great restraint in this realm. Both sides realized that they had more to lose than to gain from such competition. As tempting as it was to contemplate gaining a military edge in space, the risks of an extraterrestrial arms race were even greater.

Since *Sputnik,* space has been widely used for military purposes. Satellites offer photo reconnaissance, targeting, communications, weather forecasting, early warning, and other intelligence- and military-related services. But neither the Americans nor the Soviets ever deployed actual weapons in space. Nor did they attempt to shoot down enemy satellites.

In fact, when set against Cold War competition in other areas, the development of space warfare was pursued at a snail's pace. The United States and the Soviet Union tried to outdo each other by building better tanks, submarines, fighter aircraft, and missiles—but not antisatellite weapons, which remained rudimentary. Although both countries periodically tested ASATs, their efforts were halfhearted and episodic. The United States ultimately deployed two antisatellite interceptors, which it maintained on Johnston Island in the Pacific from 1964 to 1975. These interceptors were offshoots of ballistic-missile-defense programs and used nuclear weapons to destroy their targets. This approach was risky, however; one test, using a 1.4-megaton nuclear warhead, inadvertently damaged three satellites and set off burglar alarms in Hawaii. The Soviets, similarly, flight-tested ASAT systems from 1968 to 1971 and from 1976 to 1982. But their projects were also small in scale. By the time the Cold War finally ended, the Soviet Union had carried out only 20 antisatellite tests, while the American total was just 33. By contrast, during the same era there were often dozens of missile tests each year.

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Rather than elevate the Cold War competition into space, Washington and Moscow agreed to both tacit and formal constraints on extraterrestrial military activities. These agreements included the 1967 Outer Space Treaty, which bans the placement of weapons of mass destruction in space or on celestial bodies, and the 1972 Anti-Ballistic Missile Treaty, which prohibits interference with monitoring satellites. The Carter administration tried to expand these formal rules by proposing a total ban on antisatellite weapons in 1978, but the effort ultimately failed due to problems in defining the scope of the ban and in deciding how to verify compliance. Indeed, a complete ban on antisatellite capabilities was not practical then and would not be now, since it would bar all globe-spanning ballistic missiles, all high-altitude missile defenses, and even the space shuttle—since these technologies are all capable of damaging satellites in addition to performing their intended tasks. A more narrow treaty might be feasible, one that bans only systems specifically designed to destroy satellites. But verifying that no new ASAT weapons are being produced would be difficult, as would be ensuring the destruction of hidden models.

WAY OUT THERE IN THE BLUE

Another reason that an arms race in space never broke out was that during the Cold War, every U.S. administration decided to do no more than hedge against Soviet antisatellite programs—doing the minimum, that is, to protect U.S. assets without ratcheting up the competition. Every administration save one, that is. The exception to this "hedge, but not lead" policy was President Ronald Reagan's Strategic Defense Initiative (SDI), a plan to use space-based weapons to fulfill Reagan's vision of making nuclear weapons "impotent and obsolete." But SDI was never deployed. And despite the Great Communicator's best efforts, domestic and foreign antipathy toward putting weapons in space or ASATs on the ground remained intense. The opposition was so great, in fact, that SDI's proponents rarely publicly defended the program in straightforward and simple terms—that is, as a way to achieve security through extraterrestrial dominance. Instead, the Reagan administration was forced to argue, implausibly, that SDI would facilitate a cooperative transition in U.S.-Soviet relations. Advocates of missile defense argued that their proposed program would be both effective against and nonthreatening to the Soviets—a wildly unlikely prospect.

The Kremlin's concerns about SDI were compounded by the Reagan administration's pursuit of antisatellite weapons and its rejection of ASAT negotiations. The Reagan team argued that advanced antisatellite weapons were needed to redress an imbalance in ASAT technology favoring the Kremlin, to deter Soviet attacks, and to counter threats posed by other Soviet space systems. The Democratic-controlled Congress pushed back, however, passing amendments requiring ASAT negotiations and preventing flight tests. As a result, despite all the rhetoric, the Reagan administration's efforts to build or deploy new antisatellite weapons were blocked.

DEFENDING AGAINST MISSILE DEFENSE

Whether they were ultimately sound or not, Reagan-era rationales for pursuing antisatellite weapons no longer apply.

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Soviet post card commemorating the launches of Sputnik I *and* II

Today Russia's underfunded space programs are but a pale shadow of Soviet efforts. And the Kremlin has even more incentive to avoid an arms race in space than it did during the 1980s, the era of SDI.

The new Bush administration, for its part, also has powerful incentives to avoid developing ASATs. These include the obvious goal of preventing an arms race in space, as well as protecting Bush's high-priority plans for missile defense. Put simply, missile defense systems cannot function properly unless the space-based surveillance systems on which they depend are inviolable—that is, free from the threat of being tampered with or destroyed. Ensuring the effectiveness of missile defense systems therefore requires not testing or deploying antisatellite technology.

Alternatively, the Bush administration could seek to protect its missile defenses by utterly dominating space in the ways suggested by the Rumsfeld report. This would require the large-scale installation of ASATs and other offensive and defensive measures. Hostile states would be expected to take countermeasures, of course, but these could quickly be nullified, the report implies, by superior U.S. technology.

If the Bush administration does decide to pursue space weapons—whether to seize the strategic high ground, to protect its missile defenses, or both—it can expect American allies, already

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uncomfortable with missile defenses, to go their separate ways. Meanwhile, rather than cede the field to Washington, Moscow and Beijing will no doubt respond with their own ASAT programs, hoping to blind U.S. satellites and negate American missile defenses in the cheapest possible fashion. Closer strategic cooperation between Russia and China will also be assured. Furthermore, the pursuit of space weapons by Washington will accelerate the demise of the Anti-Ballistic Missile Treaty and the Strategic Arms Reduction Treaties, which will then weaken nonproliferation accords.

Even if Washington decides not to put weapons in space, Moscow and Beijing might still pursue antisatellite technologies. Although neither Russia nor China can compete effectively with the United States in conventional or nuclear weapons or in missile defenses, either country could respond "asymmetrically" to American superiority by damaging U.S. satellites. The Pentagon defines asymmetrical warfare as "countering an adversary's strengths by focusing on its weaknesses." Asymmetrical warfare allows a weaker opponent to level the playing field by unorthodox means. Antisatellite programs are a good example of asymmetrical warfare: they are less expensive and technically challenging than engaging in conventional or missile-defense arms races but allow a weaker opponent to gain an edge (at least temporarily) over a stronger one.

Given U.S. military predominance, it will be difficult to dissuade Russia and China from developing ASATs. But it will be well worth the effort to try, and it can be accomplished only if the United States does not take the lead in pursuing ASATs. Indeed, the Bush administration must exercise restraint if ASAT competition—with its adverse effects on U.S. national security, alliance ties, treaties, and missile defenses—is to be avoided.

Since advanced missile defenses (of the kind the Bush team proposes) could be used to shoot down satellites and not just missiles, avoiding the weaponization of space while pursuing missile defense will not be easy. Much depends on the type of missile defense the Bush administration ultimately chooses to pursue. If the system it decides on includes weapons in space, as the Rumsfeld report recommends, a cascade of negative repercussions will follow. Moscow and Beijing will view an aggressive U.S. missile defense program as an attempt to both negate their own nuclear deterrents and render their satellites blind. If, however, U.S. missile defenses are designed to counter proliferation only and do not include weapons in space, Chinese and Russian fears could be assuaged.

THE VIEW FROM WALL STREET

The Rumsfeld commission argues that the United States needs weapons for space warfare because it is now both more vulnerable in and more dependent on space. The first assertion may be debatable, but the second is incontrovertible. America today depends on its satellites as never before. The U.S. Space Command estimates that by 2010, some 2,000 operating satellites will orbit the earth, compared to roughly 600 today. Much of this growth will be tied to civilian and commercial applications, especially those in communications-related sectors. Since 1996, revenues from commercial space ventures have exceeded government space expen-

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ditures, and this differential continues to widen. The U.S. Space Command figures that by 2003, the Global Positioning System alone will have generated $16 billion per year in revenues. Space policy expert James Oberg estimates that last year, space-technology industries realized $125 billion in profits. By 2005, global telecommunications revenues could reach $1.2 trillion, and by 2010, the cumulative U.S. investment in space could well reach $500 billion to $600 billion—equaling the value of all current U.S. investments in Europe.

With the global economy so intimately tied to assets in space, space-warfare initiatives by the Bush administration could also create havoc with satellite-dependent commerce. The extent of damage that the loss of a key satellite could cause was suggested by the failure of a *Galaxy IV* satellite in May 1998. When the computer controlling the satellite broke down, 80 percent of U.S. pagers—affecting 37 million users—went dead. Some radio and television stations were knocked off the air, while gas stations and retail stores found themselves unable to verify credit card transactions. The Rumsfeld commission cites this event as a harbinger of America's future vulnerability in space to malefactors and hence as another reason to implement its recommendations. But the best way to protect U.S. satellites and U.S. commerce would be to head off such warfare in space before it ever got started, rather than to lead the charge. Washington can avoid an arms race in space by keeping national missile defenses limited and focused on troubled regions where missile threats abound. But because even properly configured missile defenses would have residual ASAT capabilities, the United States must now pursue new initiatives against space warfare. Treaties on ASATs could take a long time to negotiate and would still leave many issues unresolved. In the short run, informal agreements to ban all weapons in space and to bar the testing and deployment of "dedicated" ASATs would be reassuring, verifiable—and very much in the national interest.

Establishing "rules of the road" for activities in space is therefore now essential. Fortunately, a model exists: extant agreements that prevent dangerous practices at sea. A U.S.-Soviet accord, negotiated in 1972 after a series of provocative naval incidents, has been widely replicated by other navies. These "IncSea" agreements are designed to prevent collisions, dangerous maneuvers or simulated attacks, blinding the bridges of naval vessels with lasers, and other reckless acts at sea. They work well and could be made to apply in space. Such rules, moreover, will be increasingly necessary as missile defense programs mature. The "IncSea" agreements were negotiated by senior military officers and were never codified as treaties, but they are still enormously useful. New accords to avoid incidents in space could take the form of executive agreements between national authorities—again avoiding the cumbersome treaty process.

As the Rumsfeld report signifies, pressure is now mounting on the Bush administration to reassess U.S. space policy. Washington must choose one of two paths: dominance, which means putting more and better weapons in space or on earth than anyone else can afford, or reassurance. Because of the threat of asymmetrical warfare, dominance would be very hard to achieve and would have many adverse effects. The best way to

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protect space commerce and U.S. national security, therefore, is to avoid ASATs and weapons in space in the first place.

An arms race in space was avoided during the Cold War due in part to the assumption that the Kremlin would compete with and nullify American moves. Now the sole remaining superpower may be tempted to slough off treaty constraints and to seek protection through unilateral initiatives. If this strategy is pursued, it will no doubt be couched in flexible and reassuring language. But U.S. allies and potential adversaries will see it as something else: the hubris of imperial overstretch. And they will react accordingly.

Syria and the Palestinians

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Continental Shift

The Securitization of Europe

Robert C. Pozen

A dramatic shift is underway in the structure of European finance. Breaking with the past, European companies are increasingly financing their operations through securities instead of bank loans. This transformation, along with the growing integration of Europe's capital markets, could create business and investment opportunities in Europe as attractive as those enjoyed in the United States over the last decade. These changes could also help head off the looming pension crises facing many European nations.

During the 1990s, the United States experienced what is known as the securitization of finance. Money markets, corporate bond markets, venture capital, and publicly traded equity substantially displaced bank deposits and loans as both savings vehicles and sources of corporate finance. In 1999, traditional bank loans to U.S. companies fell to barely 12 percent of GDP, while U.S. stock and bond markets each soared to values of more than 150 percent of GDP. Private savings and investment patterns shifted as well. Over the last decade, the share of American household assets held in bank deposits dropped by half, from 25 percent in 1990 to 12 percent today. Meanwhile, Americans nearly doubled the share of their savings held in mutual funds and individual stocks, from 22 percent in 1990 to more than 39 percent today.

This securitization movement helped drive the surge in the U.S. financial services industry during the 1990s. A similar trend is now emerging in Europe, along with similarly promising business opportunities.

SUPER MARKETS

Over the next decade, the 15 members of the European Union (EU), with their 375 million people and combined GDP of nearly $9 trillion, will likely be joined by a number of eastern European and Baltic states. This expanded European market would then total more than 500 million people—nearly twice the U.S. population—and enjoy a combined GDP close to or larger than America's $10 trillion output. Although European stock and bond markets are now only half the size of their American counterparts (measured as percentages of GDP),

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ROBERT C. POZEN is Vice Chairman of Fidelity Investments and President of Fidelity Management and Research Company.

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they could grow dramatically if the EU successfully integrates its capital markets.

The EU's introduction of the euro has already accelerated the growth of the region's financial markets. For the 11 members of the European Monetary Union, the common currency nullified national requirements for pension and insurance assets to be invested in the same currencies as their liabilities—a restriction that had long locked the bulk of Europe's long-term savings into domestic assets. Freed from foreign-exchange transaction costs and risks of currency fluctuations, these savings have fueled the rise of larger, more liquid European stock and bond markets, including the recent emergence of a substantial junk bond market. These more dynamic capital markets, in turn, have placed increased competitive pressure on banks by giving corporations new financing options and thus lowering the cost of capital. The euro's impact will expand even further when euro bills and coins go into circulation in January 2002.

Since the euro's debut in 1999, the booming pan-European bond market has forcefully challenged the dominance of banks in European finance. Two decades ago, more than 80 percent of European corporations' external finance came from banks. Even by 1995, Europe's corporate bond markets remained small, issuing less than $50 billion in bonds that year—only one-sixth the value of Europe's syndicated bank loan market. But since 1998, the issuance of bonds rated by Standard and Poor's as "investment grade" has more than doubled, totaling more than $200 billion last year. Meanwhile, the issuance of junk bonds tripled from less than $4 billion in 1997 to more than $12 billion last year. The total value of the eurozone's bond markets now nearly matches the region's GDP; this ratio, however, still remains well below the American bond market's 166 percent of U.S. GDP, leaving plenty of room for growth.

As a result of this bond market boom, the historic stranglehold that European banks have had on credit provision has given way to competition, more market discipline, lower capital costs, and greater openness about companies' finances. Since the euro's introduction, for example, the number of European companies whose securities have been rated by Standard and Poor's has climbed 38 percent. Today, European banks can hardly expect to win back lost business by pitting commercial loans against such dynamic capital markets. Instead, they will likely emulate their American counterparts by converting their predictable revenues from mortgages and credit cards into securities that they can later sell.

The euro is also spawning an equity-investment culture among European citizens. Lower interest rates and uncertainty about the solvency of national pension systems have prompted millions of Europeans to transfer their savings from the safe havens of bank deposits and government bonds to higher-returning investments such as mutual funds and individual stocks. Over the past five years, for example, Italians have poured their savings into mutual funds—and the share of their assets held in bank deposits and government bonds has dropped from nearly 80 percent to just over 50 percent. Likewise, in the first half of last year alone, the number of Germans owning company shares increased by 25 percent, while the number of Germans investing in mutual funds surged 70 percent, from 4.7 million to 8 million.

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As a result, European stock listings and trading volumes have soared, and new stock exchanges such as the pan-European Easdaq and the German Neuer Markt have taken off. Over the past generation, the value of European stock markets has grown at a compound rate of 20 percent a year, from barely $200 billion in 1979 to $7.4 trillion in early 1999. Among the eurozone nations, stock markets are now worth nearly 90 percent of GDP. These burgeoning stock markets, in turn, are spurring the growth of hedge funds and venture capital, as well as initial public offerings, which raised a record $47.1 billion in Europe last year.

In short, the euro has catalyzed a transformation in European finance that is now seeping into politics and popular culture. Continental Europe is growing more responsive to market forces and more receptive to a wider range of choices and a higher level of risk. This translates into growing political support at the EU level for a single, open market in financial services.

BIG BREAKS

At the national level, governments are already making reforms to encourage the growth of their financial markets—most notably in Germany, the EU's largest economy. Gerhard Schröder, Germany's Social Democratic chancellor, is now passing market-friendly tax reforms that could transform the German and European economies. His government has cut corporate capital gains taxes in half, effectively liberating $300 billion in appreciated stock holdings for investment in promising new enterprises. It has lowered taxes on the earnings that companies do not distribute to shareholders, from more than 42 percent to less than 27 percent. And it has cut taxes on corporate dividends to half the current personal income tax rate, the highest bracket of which is slated to drop from 51 percent to 42 percent by 2005.

Germany is also considering groundbreaking pension reforms, including the creation of prefunded pension plans to supplement the existing "pay-as-you-go" system (financed by current contributions). These reforms would be significant even if they were limited to Germany's $2.7 trillion domestic economy. But if Schröder's reform package succeeds, it could also spur other European governments to follow suit.

Despite such progress on the national front, however, advancement has been slow at the continental level. Policymakers, corporate leaders, and financial media across the region all recognize the loss of economic potential caused by a fragmented financial market. Indeed, the rhetoric of European Commission (EC) studies, legislative initiatives, and resolutions conveys a palpable sense of urgency and frustration. In the mid-1990s, the EC set an ambitious agenda for achieving a truly open, unified financial services market by 2005. Just last year, a committee of experts appointed by the commission called for moving up that deadline, warning that delay could result in "unnecessary costs and a suboptimal European economic performance." Despite such prodding, however, many national governments continue to shelter domestic financial interests under the name of "consumer protection" by imposing regulatory costs that effectively tax cross-border financial transactions and thereby lower investment returns. Such barriers are particularly

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problematic for foreign corporate takeovers, mutual-funds markets, and pension funds.

Over the past seven years, particularly since the debut of the euro, European mergers and acquisitions activity has surged, nearly doubling from $800 billion in 1998 to more than $1.5 trillion in 1999. But companies seeking cross-border takeovers still face difficult obstacles. National "champion" companies often mobilize political support against foreign acquirers, as Telcom Italia did in opposing a takeover bid from Deutsche Telekom two years ago. In the 1999 "war of the handbags," Italy's Gucci successfully fended off a takeover bid from France's Louis Vuitton by issuing shares that sharply diluted minority holders' values—without their permission.

These tactics were disconcerting to many investors. But even more troubling are two recently proposed amendments to a new takeover code passed by the European Parliament. The first proposal would allow companies to employ defensive tactics like Gucci's with impunity and without seeking shareholder approval. The second provision, requiring EU corporate directors to maintain "a view to safe-guarding jobs," would constrain many mergers that would inevitably result in redundant positions. Unless these two amendments are de-fanged or eliminated in the final EU takeover code, the new directive could impede the long-overdue integration of corporate Europe.

Legal obstacles may also prevent the development of a truly integrated European mutual-funds market. Sixteen years ago, the EU adopted a law providing a standard "passport" for European mutual-fund managers to register their offerings and do business smoothly across borders. This law, along with recent amendments that extend the passport to cover most money-market funds, was a step in the right direction—but much more work remains.

Today there are more than 21,000 mutual funds in Europe—nearly three times more than in the United States. Since 1995, their total holdings have more than tripled, from €1.2 trillion to €3.6 trillion. Half that gain came in the past two years alone, as mutual funds became the fastest-growing segment of eurozone savings.

This growth has remained largely within national boundaries, however, because the rules governing mutual funds have been left to individual countries to decide. The result is a crazy quilt of regulations on the disclosure of fund investment and performance, advertising, registration fees, and the distribution of customer reports. In many countries, local funds still enjoy tax advantages over cross-border funds. And in some countries, bureaucrats have shown fantastic creativity in orchestrating delays, expenses, and red tape for mutual-fund providers incorporated in other EU countries. Thus, the average European mutual fund is less than one-sixth the size of the average American fund, and European fund fees average 50 percent higher than those in the United States.

To correct these distortions, the EU should move toward a single regulator for mutual funds throughout Europe. At a minimum, the EU should set uniform standards for calculating returns, advertising performance, disseminating customer reports, and other aspects of fund marketing. It should also allow mutual funds sold in various countries to achieve

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economies of scale by investing in a common pool of assets. These changes would bring significant savings and benefits to both financial companies and individual investors throughout the continent.

RETIREMENT SECURITIES

Pension reform may be the single most important policy choice Europe faces in this decade. Germany, France, Spain, Italy, and other European countries rely primarily on pay-as-you-go state pension systems and will soon face major fiscal burdens as their retirement populations increase and their work forces shrink. Raising taxes or cutting benefits would be politically unpopular ways for these countries to close their financing gaps. A better way to address the problem would be to increase the returns on pension funds by pooling resources and investing in higher-returning securities.

The EU has made a positive step in this direction by introducing legislation that would permit private employment-linked pension funds to invest up to 70 percent of their assets in equities, giving them far more latitude than they have under current rules. Yet an even more effective step would be to allow European pension-fund managers to freely invest in a diversified portfolio of securities, using the same standards of care and judgment that a reasonable person would apply to his or her own investments—a principle known as the "prudent person" standard.

In its own 1999 report, the EC found that from 1984 to 1996, pension funds using prudent-person standards reaped annual returns averaging 9.5 percent, while funds with quantitative restrictions averaged annual gains of only 4.3 percent. For an individual, this performance gap makes a staggering difference when compounded over a working lifetime. For a policymaker, it should be compelling grounds for reform.

European pension funds could yield even greater returns if pooled across the continent, thus achieving lower costs and greater economies of scale. For example, contributions to Germany's public pay-as-you-go retirement system are projected to produce annual investment returns of less than one percent for people born after 1970. Market-based private and employment-linked pension plans operating on a pan-European basis could deliver much higher returns, especially if fund managers were free to invest by prudent-person standards.

But the cross-border barriers for pension funds are even greater than those for mutual funds. Currently, European pension-fund managers do not even have a "passport" for doing business in other EU countries. Some countries insist that their pension funds be managed by individuals physically stationed in a local office or by specialized institutions established in a local jurisdiction. These barriers impose significant costs on pension investment.

So far, the EU has been unable to come to grips with the politically sensitive demand that employment-linked pensions receive equal tax treatment among its member states. But unless this issue is addressed, it will be difficult for companies to consolidate their pension plans across Europe or for employees to take their benefit packages with them to new, cross-border jobs. The result will probably be a continued preference for national pension systems instead of larger, EU-wide models that could produce higher returns for beneficiaries.

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Whether Europe can find the right balance between national sovereignty and open markets will be put to the test in current negotiations over EU legislation to guide employment-based pension reforms. The levels of pension contributions and benefits will likely stay under national control, since these are fiscal issues that affect a country's budget. But the investing of pension funds could and should take place on a pan-European, if not global, basis.

An integrated, market-based approach to all pension investments could do more than just help defuse Europe's retirement time bomb. Trillions of euros invested on a continental scale could turn a serious fiscal threat into reliable fuel for capital markets. Integrated financial markets could become engines of innovation, growth, and jobs in Europe, while creating profitable new opportunities for financial institutions and individual investors around the world.

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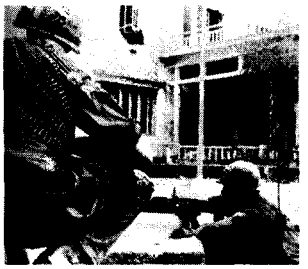

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Essays

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George W. Bush with Tony Blair, Camp David, February 23, 2001

Transatlantic relations will improve only if U.S. leaders climb down from their bully pulpit—and Europeans resist the temptation to climb up.

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Europe, the Necessary Partner

William Wallace

COMMON BONDS

FOR ALL the Republican rhetoric about a more "Americanist" approach to foreign policy, the United States needs partners in global diplomacy. Unilateral decisions carry costs. Even if they are successfully imposed on foreign states, they build up resistance to cooperation in other areas where U.S. interests are at stake. Multilateral leadership requires negotiation and compromise with partners who respect American leadership and whose contributions American policymakers respect.

America's most dependable partners are the democracies in Europe, collectively organized through the European Union (EU) and NATO. With economic and political reform in Japan still blocked, and with the Association of Southeast Asian Nations weakened by the 1997 financial crisis and incomplete democratization, Europe remains the indispensable partner without which American global leadership becomes unilateral.

Transatlantic relations in the last decade have centered on redefining the U.S.-European partnership for the post–Cold War world. The most striking characteristic of the relationship today, however, is continuity rather than change. The gloomy predictions of American realists—that Europe without the two controlling superpowers would dissolve into anarchy—have proven entirely mistaken. NATO not only has survived but has developed new tasks and attracted new members.

WILLIAM WALLACE is Professor of International Relations at the London School of Economics and Liberal Democrat Spokesman on Defense in the House of Lords.

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The EU has expanded its mandate and its membership and is now negotiating with 12 more applicant states.

Transatlantic relations are embedded in a dense network of multilateral links, including annual meetings of the Group of Eight major industrialized nations, semiannual consultations among top officials, and shared membership in the Organization for Economic Cooperation and Development (OECD). The transatlantic relationship's central organization, NATO, holds biennial summits, frequent meetings of foreign and defense ministers, and regular consultations among permanent national delegations based in Brussels. The partnership is supplemented by extensive cooperation among U.S. and European law enforcement agencies for combatting money laundering, drug trafficking, and illegal-refugee smuggling.

Most of the time, this multilateral dialogue works well, driven by the mutual interest of all participants in maintaining free flows of goods, services, and information. For all the advances in transatlantic cooperation, however, the common perception is of an increasingly fraught relationship. Those policymakers who recognize the overriding imperatives of shared interests in an open economy and a stable international order struggle against a tide of hostile comment in the media and in national legislatures. Five reasons can explain this gap between perception and reality.

First, having struck an implicit bargain in the late 1940s that underpinned their relations in the postwar era, Americans and Europeans now define burden sharing and partnership differently.

Second, an American overemphasis on political and military issues, and in particular a search for new potential enemies, has met a European overemphasis on economics. Hence perceptions of threats have diverged sharply.

Third, a widening disjuncture over values has opened. European elites criticize aspects of American society, and American elites vigorously reject such criticism. Assertions of American exceptionalism particularly irritate Europeans.

Fourth, policymaking on both sides has become more unwieldy. Divided centers of authority and multiple veto-wielders complicate multilateral cooperation. Yet there is a mutual unwillingness to recognize the structural weaknesses within one's own system while criticizing problems on the opposite shore.

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Finally, a gap increasingly separates transgovernmental cooperation from domestic debate. Legislatures and publics are largely uninformed about the multilateral bargaining and the delicate compromises that characterize transatlantic relations. Senior officials survive politically by playing to domestic audiences interested primarily in domestic issues. The media on both sides of the Atlantic have followed popular preferences by paying less attention to international affairs. The result is a mutual democratic deficit, with publics mistrusting the multilateral deals that their governments strike behind closed doors in foreign countries.

The Bush administration, like its predecessors, will be frustrated by the indirection, even incoherence, of its European allies. Policy outcomes in Brussels emerge out of compromises among national governments, which in turn respond to pressures from domestic politics and from Europe-wide lobbies. The EU's institutional structures are complex and opaque. In December 2000, member governments concluded their fourth revision of the EU treaties in 15 years without ironing out many anomalies. They postponed many of the most difficult issues of institutional reform to another intergovernmental conference scheduled for 2004. European voices are often discordant, as governments compete with each other in pursuing their own "special relationships."

Nevertheless, European governments are collectively moving forward on a number of issues that affect transatlantic relations. The euro will replace national notes and coins in January 2002. Negotiations on EU membership with 12 states from central and eastern Europe are now well under way. Meanwhile, the initiative on a common European defense policy, launched in 1998, has passed the first test of bargaining among defense ministers on contributions of troops and equipment to meet the target of a deployable force of 15 brigades by 2003. Sweden, which chairs the EU Council of Ministers through the first six months of 2001, is focusing on the EU's relationship with Russia, including the future of Kaliningrad, which could become an enclave surrounded by EU member states if the EU expands to the Baltics. Negotiations with Cyprus on EU membership are going well, although the problem of Turkish "North Cyprus" still festers. The Turkish government has blocked NATO-EU agreement on the European defense

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proposals and may well provoke a crisis over Cyprus' joining the EU in two to three years' time.

PARTNERSHIP OR PAX AMERICANA?

SUCCESSIVE INCOMING U.S. administrations have called for a new "partnership" that invariably features the United States as the alliance's agenda-setter and leader while calling on Europe to shoulder a greater share of the common (U.S.-defined) burden. Such a structural imbalance may have been acceptable in the Cold War, but the Soviet Union's collapse removed its justification. The first Bush administration and its Democratic successor contrasted the superior dynamism of the U.S. economy with "sclerotic" European growth. They nevertheless complained bitterly about the costs of world leadership and their allies' perceived unwillingness to pay more to support U.S. priorities. The European allies have seen this not as a partnership but as alliance leadership with strong unilateralist tendencies. One can only hope that the foreign policy "humility" that George W. Bush called for as a presidential candidate will inspire the new administration to seek a fuller partnership rather than roundly reasserting American leadership.

To be sure, such divergent perceptions go back to the Marshall Plan. For the United States, generous economic assistance and commitment of ground forces were intended to allow time for its European allies to rebuild their shattered economies. The Kennedy administration's "Grand Design" for an Atlantic partnership similarly rested on the assumption that the European allies would share America's perception of Western objectives and contribute their fair share to pursuing them. But that premise foundered on Charles de Gaulle's refusal to accept American leadership on those terms.

The tensions reemerged in Henry Kissinger's "Year of Europe" initiative in 1973–74, which attempted to rein in French-led attempts to develop independent Western European consultations on foreign policy by insisting on full U.S. access to such talks. Kissinger also reminded the allies—in blunt realist language—that they owed the United States economic cooperation in return for U.S. military protection. Sixteen years later, the first Bush administration decisively and effectively led its partnership with Bonn in negotiating German

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reunification, while French and British political leaders hesitated. But Washington also made clear in spring 1989 that economic assistance to eastern Europe should come primarily from the European Community. "Last time we paid for you," was the administration's blunt message. "This time you pay for them."

The end of the Cold War has done little to change this American presumption. Each forward step toward European defense and foreign-policy autonomy has met an American warning: recall Secretary of State Madeleine Albright's 1998 warning against the Franco-British defense initiative and Secretary of Defense William Cohen's speech to the NATO defense ministers' meeting in October 2000, admonishing that the alliance was not to become a "relic." First signals from the Bush administration have been contradictory, with Secretary of State Colin Powell relaxed about a greater degree of European autonomy and Secretary of Defense Donald Rumsfeld concerned that this may weaken American leadership within NATO.

The underlying and constant American presupposition is that the United States is a benign hegemon—and that the Western alliance can work well if Europe accepts this hegemon's leadership. The United States now acknowledges the EU as an economic partner, but the idea of sharing leadership in political and military matters has yet to gain acceptance in Washington. American policymakers thus continue to give their partners contradictory signals, calling on them to shoulder more global economic responsibility while refusing to trust them to develop an autonomous political and military capacity or to pursue different foreign policy priorities. The congressional testimony of former White House official Peter Rodman in November 1999 on the European defense initiative summed up this assumption: "Rather than joyfully falling in step behind our global leadership, [European governments] are looking for ways to counter our predominance."

The idealists and optimists who managed U.S. foreign policy after World War II did not anticipate the contradiction between American leadership and Atlantic partnership. Rather, they implicitly assumed that democratic European states would share America's goals and see the world from the same rational and benevolent perspective. The bitterness that later developed between the United States and France under de Gaulle made it easy to dismiss proposals for greater European

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autonomy as anti-American. But the premise of a more equal relationship was always embedded in the American sponsorship of European integration. Thus whereas American unilateralists easily dismiss the possibility of partnership, American internationalists face a more difficult challenge. They have to make the intellectual leap from American hegemony to a multilateral concert of powers and explain to their domestic audiences that constructive cooperation requires compromise from the United States as well as from others. They must understand that the United States cannot continue to call on its allies to share the burdens unless it is prepared to share its decision-making as well.

A COMMITMENT PROBLEM

TRANSATLANTIC DISPUTES over burden sharing follow from assumptions in the United States that its allies should naturally share its values and objectives. In turn, American resentment grows when the allies fail to contribute fully to such goals. For example, Franco-American differences over the role of the dollar as a reserve currency in the 1960s revolved around the U.S. perception that the American deficit stemmed largely from the U.S. contribution to maintaining world order, and therefore no action was needed to lower it. Meanwhile, the French asserted that the deficit allowed American companies to buy dominant advantages in Europe. Washington's resentment at Europe's refusal to fully support the U.S. commitment in Vietnam—by buying enough dollars to sustain the deficit—helped to justify its unilateral decoupling of the dollar from gold in August 1971. In the late 1980s, when the American mood was of incipient decline due to overcommitment, European allies were depicted as "living in luxury behind an American shield," as the *New York Times* columnist Flora Lewis memorably put it.

After the Cold War, with U.S. troops in Europe reduced to a third of their previous strength and the U.S. economy surging ahead, this sense of grievance should have disappeared. Yet European and American perceptions still diverge most widely over burden sharing. This tension re-emerged during the Western involvement in the Balkans, when the European commitment to put U.N. ground troops in harm's way

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contrasted with the American determination to use its predominant airpower and criticize its European allies for their airpower shortcomings. U.S. perceptions of European hesitation in the conflict's early stages were matched by European perceptions of American intervention from the sidelines, most significantly in Washington's undermining of the Vance-Owen plan in 1993 to end the war in Bosnia, followed by Richard Holbrooke's abrasive and unilateral imposition of the Dayton accord in 1995. Most recently, George W. Bush's demand during the presidential campaign that European governments should "do more" in Kosovo touched a raw nerve in European elite opinion—even in the United Kingdom, traditionally America's most loyal European ally. The United States did provide most of the airpower over Bosnia and Serbia. But since the wars there ended, Europe has supplied 80 percent of the peacekeeping ground forces and more than 70 percent of the funds for civil reconstruction.

American complaints over unequal burden sharing also ignore Europe's far greater contribution to the United Nations budget—37 percent of the overall budget, and 39 percent of the peacekeeping budget, and not in arrears. Also unmatched is European assistance to the economic reconstruction of central and eastern Europe, development assistance in Africa and Asia, and aid to Egypt and the Palestinian Authority for an Arab-Israeli peace process defined and controlled by the United States. For Europeans, shared burdens and shared responsibilities ought to go together. An American stance that defines strategy in terms of American leadership but fails to pay for that privilege risks losing the respect and support of U.S. allies.

ROGUE STATES OR FAILED STATES?

"The United States," Kissinger declared in 1973, "is a global power, while Europe is a regional power." But the European Commission and West German and Italian political leaders at that time saw transatlantic attitudes about projecting power from a different perspective. For them, the United States was a military power that provided global security, whereas Western Europe was a civilian power that pursued influence through trade agreements, economic assistance, and the promotion of international development. Ten years after the

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end of the Cold War, the mutual caricatures live on. Europeans see an America unhealthily preoccupied with identifying enemies who require a military response while it refuses to invest in encouraging political accommodation or transition within authoritarian regimes. Americans see Europeans as pursuing economic advantage through trade with America's enemies (such as Iran or Libya) while refusing to invest in the military forces needed to confront hostile regimes. Members of Congress talk of "rogue states" and retribution; European members of parliament focus on "failed states" and assistance for their reconstruction.

Differences over "Western" strategy are widest in the Middle East, where European governments have become increasingly uneasy about American policy. But they are blocked by Washington's insistence that Middle East diplomacy is an American preserve and by the attention that U.S. policymakers pay to domestic audiences on the subject. (Assumptions also differ on priorities in Central Asia, the Caucasus, East Asia, Africa, and Latin America, but wide differences in levels of commitment to these regions limit the space for active disagreement.) Most problematic for European governments is the *underlying contradiction emerging between American commitments* to Israel and to Saudi Arabia. The United States tends to depict Islam as a fundamentalist and fundamentally hostile force—but its Saudi ally is the defender of Islam's holy places. Concerned that maintaining U.S. ground troops in Saudi Arabia will undermine the current Saudi regime's stability, European officials question the rationality of American policy.

European policymakers have followed the twists and turns of U.S. policy toward the Middle East and Central Asia with increasing skepticism. The United States first supported Iran in the 1970s as a pillar against communism, then backed Iraq in its war against Iran, then went to war against Saddam Hussein in 1991; it first aided Islamist fighters in Afghanistan against godless communism, then identified Islamic fundamentalism as a global terrorist threat. At each juncture, the conviction of U.S. policymakers that their approach deserved allied support failed to persuade. European governments were very familiar themselves with "rogue" regimes and the threats they posed; Libya, for instance, had fired a missile in 1986 at the Italian island of

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Lampedusa—the only direct attack on NATO territory in the alliance's existence. And European responses to the Iraqi invasion of Kuwait strongly supported the American lead, with the British and French providing both air and ground forces. But a divergence of attitudes toward the Arab-Israeli conflict has prompted European doubts about the rationality of U.S. policy in the Middle East. Even the most internationalist Americans seem to have projected domestic perceptions, as conveyed by the alliance between fundamentalist Christians and conservative Jews, onto the complexities of this dispute.

European domestic politics respond to different domestic pressures and assumptions—and over the past 40 years, these have changed to include influence from the Muslim world. Between 12 million and 15 million Muslims now live in the EU, including rich expatriates from the Persian Gulf states, poor Algerians and Moroccans working in Paris and Brussels, Germans of Turkish parentage building luxury cars, and South Asians from Bengal and the Punjab running British shops and restaurants. Prominent mosques mark the skylines in London, Paris, and Málaga. Schools and businesses have learned to adjust to people fasting during Ramadan and feasting for Eid. Islam has become a familiar—and largely unthreatening—presence in urban Europe, in contrast to the external threat still conjured up within the United States. Meanwhile, the rhetoric of "Islamic fundamentalism" and "Arab terrorism" still runs through Washington. Its underlying assumption is a clash of civilizations in which—as one American Enterprise Institute staff member put it to European audiences last autumn—the Israelis are a "civilized country," whereas the Arabs are "barbarians." This just does not ring true for Europeans.

Transatlantic differences on Middle East policy overlap with different assumptions about energy policy, conservation, and taxation. American officials argue that U.S. Middle East policy protects the West's oil security, with Europe particularly vulnerable to an Arab oil squeeze. But the United States, with its population of 280 million, now accounts for nearly 26 percent of world oil imports, whereas the 507 million Europeans living west of the former Soviet Union account for less than 24 percent. Energy consumption per head in the United States is now twice as high as in Europe, where a combination of policy changes and price rises has held consumption down. Europeans,

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concentrated in cities with good public transport and active environmental groups, see energy priorities from a very different angle than do Americans, with their sprawling suburbs, rolling highways, and powerful energy lobby. American efforts at modifying the terms of global warming agreements—relying more on buying tradable "pollution permits" from other states rather than reducing domestic consumption—look to Europeans like the projection of domestic difficulties and vested interests onto the global stage.

The relationship between Europe and the Muslim world has changed remarkably over the past 40 years.

Terrorism is another good example of where perceptions are diverging. European governments do not underestimate the threat of terrorism; they have suffered more incidents of terrorism on their soil over the past 30 years—from Irish Republicans, left-wing revolutionaries in Germany and Italy, Kurdish and Algerian militants, Basques, Corsicans, fundamentalist Muslims, and Sikhs—than the United States has. But rather than overestimating the threat, Europeans recognize that a political response must accompany counterterrorism and preventive measures. No European government has initiated programs comparable to U.S. ones; the marginal risks of biological or chemical weapons being deployed in European cities are just not seen as great enough to justify such a response. National missile defense (NMD) also appears to Europeans as a disproportionate response to a distant potential threat, driven by domestic psychology, entrenched economic interests, and policymakers whose underlying agenda is confrontation with China rather than North Korea.

American leadership of the Western alliance depends on its ability to persuade its partners to accept its foreign policy rationale. After all, now that the Cold War is past, the United States needs NATO as much as its European allies do. The global projection of U.S. power by long-range bombers flying from U.S. home bases depends on intermediate bases in Europe for refueling. Aircraft-carrier groups benefit from forward bases; U.S. forces in Europe now serve as the basis for potential deployment across Eurasia and the Middle East. But the impression that U.S. commanders and officials have given, whether in Somalia, Bosnia, or Kosovo, is that they see no need to listen to

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the knowledge of their allies or of locals in assessing situations. Combined with an unwillingness to accept casualties while ordering others to take greater risks (as in the Balkans), a preoccupation with media opportunities, and a preference for high-level bombing over commitment on the ground, these traits have undermined Europeans' respect for their alliance partner.

The "revolution in military affairs" has also widened the transatlantic rift. Washington's pursuit of the RMA has seemed to most European observers a domestic matter, driven by American industrial and defense lobbies rather than by any clear external threat. European governments have been pursuing a different tack, preparing to fight limited wars, contain disorder, and if necessary invest in the "nation-building" activities that George W. Bush decried in last year's presidential campaign. Shared experiences on the ground in Bosnia provided the foundation for the Franco-British defense initiative, while collaborative European engagement in Kosovo has provided a further impetus for an autonomous capability in military planning and deployment. Although no other European state has so far joined the United Kingdom in its limited peacekeeping commitment in Sierra Leone, European military planners are uncomfortably aware that restoring order within failed states, in Africa as well as southeastern Europe, is a likely contingency for which they must all prepare. Along with the 60,000 European troops being assembled for a deployable peacekeeping force, Europe is working on a reserve force of military and civilian police to take over the task of re-establishing domestic order within fragile societies as the front-line troops withdraw. The Bush administration's approach to military reform will therefore be a test case of strategic assumptions and force requirements. Greater U.S. emphasis on space and NMD, armored divisions, and large-scale carrier groups would widen the transatlantic strategic gap; more flexible forces with lighter equipment would bring American and European thinking closer together.

The United States needs NATO as much as its European allies do.

Finally, the American preoccupation with the military dimension of international politics—and the European focus on the economic

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and social sides—has led to a failure on both sides to coordinate the development of NATO and the EU. Both NATO and the EU are committed to further enlargement, with former socialist states clamoring to join both organizations. But Paris still retains political hang-ups about its role in NATO, while Washington persistently downplays the importance of Europe's institutional integration. The Clinton administration's approach to the first round of NATO enlargement was driven more by Polish-American lobbying (and Washington's determination that Europe's future shape should be defined by NATO) than by any strategic view of the future of European order. Enlargement is on the agenda for the NATO summit in 2002, as EU enlargement negotiations reach their end. A carefully constructed transatlantic bargain remains possible: EU enlargement to the Baltic states would be counterbalanced by NATO enlargement to Romania and perhaps Bulgaria, two states with economies and administrative structures too weak to cope with full EU membership. Without such a deal, transatlantic rivalry and different domestic pressures could lead to competitive approaches, damage Europe's delicate relations across its long common border with Russia, and leave southeastern Europe in the cold.

MORAL LEADER OR FLAWED SUPERPOWER?

IN THE NINETEENTH CENTURY, the United Kingdom's wealth and assumed moral superiority irritated its continental colleagues—and fueled great schadenfreude when the British became bogged down in the moral ambiguities of the Boer War. Today, the proponents of American exceptionalism arouse similar sentiments among their European allies—for similar reasons. American triumphalism does owe something to the country's economic dynamism. But it also has deep roots in the American national myth, the moral rhetoric of U.S. foreign policy, and U.S. attitudes toward international law.

Here again American postures vary, from the confident assumption of internationalists that America's allies will accept the self-evident authority of U.S. leadership to the strident assertions of unilateralists that the United States is right and its allies must follow. But the impression generally conveyed is that the United States is the only

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country entitled to promote democracy, and that the American model is the only valid model of democracy.

Americans and Europeans do share political and social values. The American investment in building postwar Western Europe paid off as it spread common beliefs about the rule of law, political accountability, market rules, and limited government. This success was greatly assisted by the immense prestige of American democracy and the U.S. market economy. Significant transatlantic differences did persist, mainly over European commitments to higher levels of public spending, social welfare, and corporatist patterns of consultations between employers and organized labor. But the contrast with authoritarian socialist regimes provided a solid foundation for shared Western values.

Liberalism's triumph in the 1990s, however, has brought into the open different interpretations of the liberal tradition. For example, American criticism of European "continental corporatism" has really just extended domestic political debates onto the international plane. The "Anglo-Saxon" political right has been determined to demonstrate the superiority of its preferred market model over that of social democracy. Free-market criticism was made all the more plausible as the U.S. economy boomed while the economic burden of German unification—and its tightening impact on European interest rates—threw the European economy into recession. But the stridency of American criticism, together with the critics' unwillingness to face the failings of the American model, has recently provoked a response from the European press and political elite. Europeans have pointed to their lower crime rates and far lower prison populations, the smaller income gap, safer cities, and better-protected countryside. American capital punishment, especially its disproportionate use on black prisoners, has become for Europeans a symbol of the weaknesses of American domestic society and law. Meanwhile, America's higher levels of violent crime and wider gun availability have further fueled European disrespect for the American model.

The result has been a growing divergence between America's perception of its moral leadership and European perceptions of the United States as a flawed superpower. The loss of American prestige and authority as the alliance leader has been compounded by the

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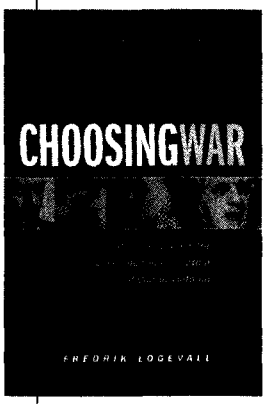

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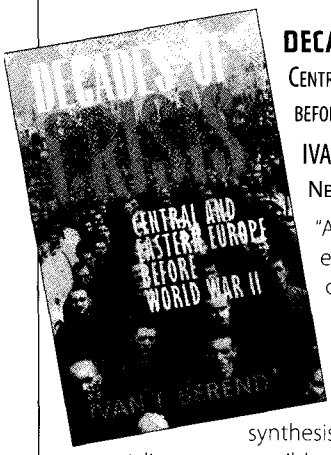

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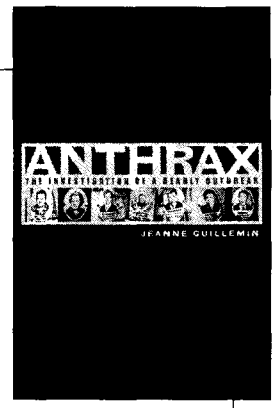

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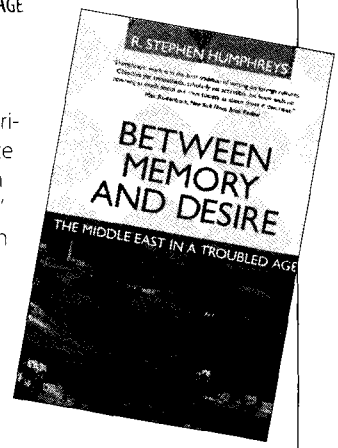

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growing bitterness of partisan politics in Washington. American unilateralists may not worry about this loss, but for internationalist Americans, such declining respect among allies represents a real cost. The United States needs, at the least, the acquiescence of its allies. For that, its foreign policy leadership requires a degree of sympathy and a broader base of support among European publics. A more humble approach to foreign policy, with a less strident tone in addressing America's allies, would help.

Competing claims to superior social and economic models could well deteriorate into competing anti-European and anti-American rhetoric. The recovery of the euro against the dollar last year prompted some European central bankers and finance ministers to claim vindication of Europe's approach to economic and social change. A further shift in the euro-dollar rate, combined with further rises in employment and economic growth within the EU, may well provoke outbursts of European triumphalism and claims of victory for the social market over the free-market approach.

Transatlantic relations would benefit from a process of moral disarmament, in which both sides moderate their rhetoric and their attacks on each other's failings. There are good reasons for differences in their approaches to market regulation, social security, and international cooperation. Five hundred million Europeans crowded into a half-continent smaller than the United States east of the Mississippi need a different approach to urban life and social cohesion. American mistrust of international constraints is fed by a sense of distance from the outside world, just as mistrust of government is fed by the sense of distance from Washington in the American West and South. In contrast, European governments, aware since the Chernobyl nuclear leak that environmental accidents in Russia and Ukraine directly affect their citizens, are preoccupied with tying the former socialist states into a web of multilateral agreements.

European and American attitudes toward law and litigation, toward the state and interstate cooperation, flow from the two sides' different histories, political traditions, and geographical positions. The density of European regulation and intergovernmental cooperation follows from the density of Europe's population, the vulnerability of its ecology, and the penetrability of its frontiers. The lighter approach

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of governance in the United States follows from its open spaces and its continental position. Neither model would transfer entirely or easily to the other side of the Atlantic. Transatlantic relations under the Bush administration will be easier to manage if U.S. leaders climb down from their bully pulpit, and Europeans resist the temptation to climb up.

DOING IT MY WAY

AMERICANS often like to compare the image of an efficient, strategically oriented U.S. government with that of an incoherent, slow-moving European caucus. This contrast is still largely accurate in the limited context of security issues. But between crises—and with the exception of the deployment of military forces—the similarities between Washington and Brussels are greater than the differences. Both suffer from dispersed sources of authority and multiple veto points; both are sufficiently absorbed in the complexities of domestic tradeoffs to disregard the external consequences; both tend to impose costs on third parties while distributing benefits to themselves.

The long and sad history of the EU's Common Agricultural Policy, the hesitant treatment of postsocialist regimes pressing for early enlargement, and the setbacks in the ratification of the Maastricht Treaty all have their counterparts in U.S. policy. American administration officials propose grand initiatives to their European partners, but they cannot guarantee carrying any multilateral outcome through Congress. The entrenched representation of small-town, southern, and western America in the Senate, offsetting the cities on the East and West Coasts that are home to America's internationalist elite, has compounded the problem. To Europeans, congressional assertiveness masks executive weakness and an inability to provide the leadership at home that U.S. administrations claim abroad. The entrenched representation of small European states in Brussels policymaking builds in similar obstacles to coherent European foreign policy: the Greek government blocked recognition of Macedonia for more than a year; the Danes raise repeated objections about the legal status of EU international diplomacy.

So far, the Brussels policy process has attracted only a limited number of lobbies and think tanks, even though extensive traffic

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flows between national capitals and Brussels consultations. Washington policymaking, however, takes place in a free market of ideas, a competition for agenda-setting and influence in which money and intellect struggle for advantage. Jockeying among think tanks for donors and administration positions breeds exaggeration of trends and threats, which are often written up in headlines or op-eds. The overlap between (allegedly) neutral institutes and lobbies, along with corporate funding of front organizations to support business interests, blurs public debate and advocacy. The power of money throughout Washington is very evident to European governments in trade disputes: Chiquita, a U.S. company that buys influence in both parties, has transformed a minor issue into a transatlantic confrontation. Meanwhile, the vigor and multiple access points of the Washington policy debate neglect the interests of outsiders, so the United States appears to its partners as much an absent-minded power as a deliberately unilateralist one.

Both Americans and Europeans expect their partners to accommodate their own peculiar arrangements while complaining about the demands of their allies. American negotiators thought it absurd that European demands for common EU representation during the multilateral stages of the last Middle East peace process led to a common delegation accompanied by 15 national delegations; European governments thought it excessive for the United States to bring an "observer" delegation of 18 U.S. senators to the recent NATO summit in Madrid. U.S. officials have justified the "Echelon" intelligence network (which intercepts European commercial and governmental communications) on the grounds that it enables them to check whether European companies offer bribes to foreign governments for contracts. Yet the same officials refuse to acknowledge the same potential for structural corruption in the U.S. political system, which has politicians at all levels depending on corporations for campaign finance. American negotiators decry European insistence on the precautionary principle in testing and licensing genetically modified foods. Europeans see the American ban on blood donations from citizens who have spent long periods of time in Europe, ostensibly a preventive measure against the importation of "mad-cow" disease, as the precautionary principle carried to its extreme limit.

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Hegemonic powers have a natural tendency to neglect the views of their subordinate partners and impose their own perspectives. The EU stance toward its neighbors to the east and south conveys many of the same hegemonic pitfalls: setting conditions on human rights, the status of minorities, public administration, and border controls that are far stricter than those for the EU. American unilateralism is not outside this structural tendency but is an exaggerated version of it, reinforced by an aggressive interpretation of American exceptionalism.

DON'T TREAD ON ME

BOTH THE United States and Europe need multilateral cooperation to manage their intricate web of economic interdependence. And the two sides do cooperate, actively and on a wide range of issues. But much of that cooperation—too technically detailed and complicated to make good copy for the press—is invisible to politicians and the public. It is only when disputes flare up, or when failures in coordination break management down, that parliaments and the press pay attention with cries of betrayal and accusations of foreign interference.

The gap between transgovernmental cooperation and domestic understanding is as wide within Europe as within the United States. The United Kingdom, Denmark, Austria, and other peripheral member states see the EU as a threat to national autonomy, a bureaucratic monstrosity bent on destroying their cultural distinctiveness and political sovereignty. The predominance of parliamentary systems in Europe, where governments are more secure in their executive authority, limits the ability of opposition parties to block multilateral engagement. Indeed, national parliaments have been largely left aside in this evolving process of transnational governance, as their members concentrate on domestic and constituency politics. Populist revolts against the transfer of authority from nationally accountable institutions to remote intergovernmental organizations take a different shape in Europe than in the United States; they see the EU, not the U.N., as the enemy. But this frustration stems from a similar sense of lost autonomy amid uncontrollable change, a similar reaction against globalization.

American and European political leaders face difficult choices in pursuing mutually advantageous cooperation while responding to

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public anxieties about democratic accountability. The temptation to tell one story to the public and another to colleagues from other governments behind closed doors is hard to resist. So too is the temptation to demand that others recognize the imperatives of one's own domestic difficulties without pleading to their own publics in return. Neither Europe nor the United States has been blessed with strong foreign-policy leadership in recent years, a problem worsened by the mutual drift toward nationalist reassertion and fears of international entanglements.

The United States differs from Europe in a number of ways. America's size and its distance from other continents make for a deeper reluctance to acknowledge global interdependence. Its exceptionalist tradition in foreign policy has been neither broken by foreign occupation nor modified by realization of the limits of national autonomy. Its economic dynamism and unchallenged military superiority make it easy to deny the necessity of multilateral compromise and to call instead for a more Americanist approach to world politics.

In other ways, however, Europe and the United States share the same dilemmas and suffer from the same structural deformations. A Polish observer could criticize the EU for its unilateralist approach to European international negotiations, and a Moroccan observer would vigorously attack its hegemonic pretensions. Reconciling the demands of democracy with the imperatives of multilateral cooperation requires a high quality of leadership from governments and foreign-policy elites. That quality has not always been in evidence, on either side of the Atlantic, since the end of the Cold War.

The United States and Europe need each other. Neither can handle the problems of Russia on its own, or those of the unstable Mediterranean, Caucasus, and greater Middle East. The United States wants European governments to play a more active role in diplomacy in Asia; Europe wants the United States to be more active in sub-Saharan Africa. The rising tide of asylum-seekers and smuggled migrants washes up on both American and European shores. Transnational organized crime, drug smuggling, and money laundering threaten public order on both sides of the Atlantic—problems best met through a coordinated response. Scientific advances, feeding into commercially exploitable form, pose ethical dilemmas in the marketplace that require an open transatlantic debate. The world's two largest integrated

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economies need to monitor shifts in the global economic balance and work together to smooth out the bumps.

The transatlantic partnership under American leadership promoted for the last half-century an open world economy and a relatively stable global order. That partnership again needs redefinition to accommodate the EU's strengthening capabilities, the imminent prospect of an expanded EU, the enlargement of NATO, and the distinctive foreign policy interests of North American and European states. Humility on both sides about defining the terms of partnership, political leadership at home and abroad, and mutual toleration of each others' institutional weaknesses will be required. Before distracted politicians on both sides rehearse their mutual complaints again, political leaders must seize the opportunity to explain to each other—and to each other's public—why a more balanced partnership is necessary. Not only is this in their own national interests, it is crucial for the stability and prosperity of the post–Cold War world.

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The False Crisis Over the Atlantic

Antony J. Blinken

WITH FRIENDS LIKE THESE

To European elites, the United States has become a poster child for bad behavior at home and hegemonic hubris abroad. The director of Amnesty International France recently listed—in this order—his organization's most urgent challenges: "The corridors of death in America, decapitations in Saudi Arabia, mutilations in Sierra Leone, and political prisoners in China." French Education Minister Jack Lang labeled President George W. Bush a "serial assassin" for presiding over executions in Texas. Italian towns have adopted American death row inmates for whose clemency they lobby the State Department and members of Congress. British tabloids feature lengthy exposés of death row. Shareholders pressure European companies to divest from American states that allow executions.

It is not just the death penalty. Some Europeans see across the ocean a society plagued by guns and violence, gorging on genetically modified "Frankenfoods," and beholden to unchecked capitalism. Commentators on both sides warn of a new anti-Americanism that, in the words of British journalist Martin Kettle, "takes issue with the American way of life itself." Because these Europeans equate globalization with Americanization, they fear being overrun by values they abhor.

Antony J. Blinken is Senior Fellow at the Center for Strategic and International Studies. He served on the National Security Council staff from 1994 to 2001, most recently as Special Assistant to the President and Senior Director for European Affairs.

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This distaste for American values is matched by concern that the United States acts like a bull in the global china shop, causing a strategic split with Europe over matters such as the Comprehensive Test Ban Treaty (CTBT) and national missile defense (NMD). To these Europeans, America's reluctance to join the global land-mines ban, the International Criminal Court (ICC), and the Kyoto Protocol on global warming evidences selfish unilateralism. Its fixation with "states of concern" (formerly known as "rogues") is at best naive, at worst—in the case of sanctions against Iraq—"genocidal." Europeans are skeptical of American support for European integration, especially in defense. And they fear that the United States and Europe are fated to economic warfare as trade disputes spiral out of control.

Together, the "values gap" and the "strategic split" form the core of a newly fashionable argument advanced by European elites—and reflected by their American counterparts—that the United States and Europe are growing apart. But a closer look shows that, far from diverging, the United States and Europe are converging culturally, economically, and with some effort, strategically. This false crisis makes it more difficult to deal with those differences that do exist and reap the potential of a partnership that can benefit Americans and Europeans far into the future.

THE VALUES GAP

EXHIBIT A in Europe's complaint about the United States is the death penalty. As former U.S. ambassador to France Felix Rohatyn has written, "no single issue evoked as much passion and as much protest" during his recent tenure in Paris as did capital punishment. One would think that the United States was the last of the world's barbarians. In fact, some 100 other countries permit executions, including large democracies such as India, Japan, and Turkey. International law allows the death penalty; the U.S. Supreme Court has deemed it constitutional; the 38 U.S. states that adopted it did so democratically. But more important is that Europeans fail to acknowledge that U.S. opinion is shifting. As it happens, nearly 40 percent of Americans do not support the death penalty—up from 25 percent just four years ago. Illinois recently declared a moratorium on applying the death penalty;

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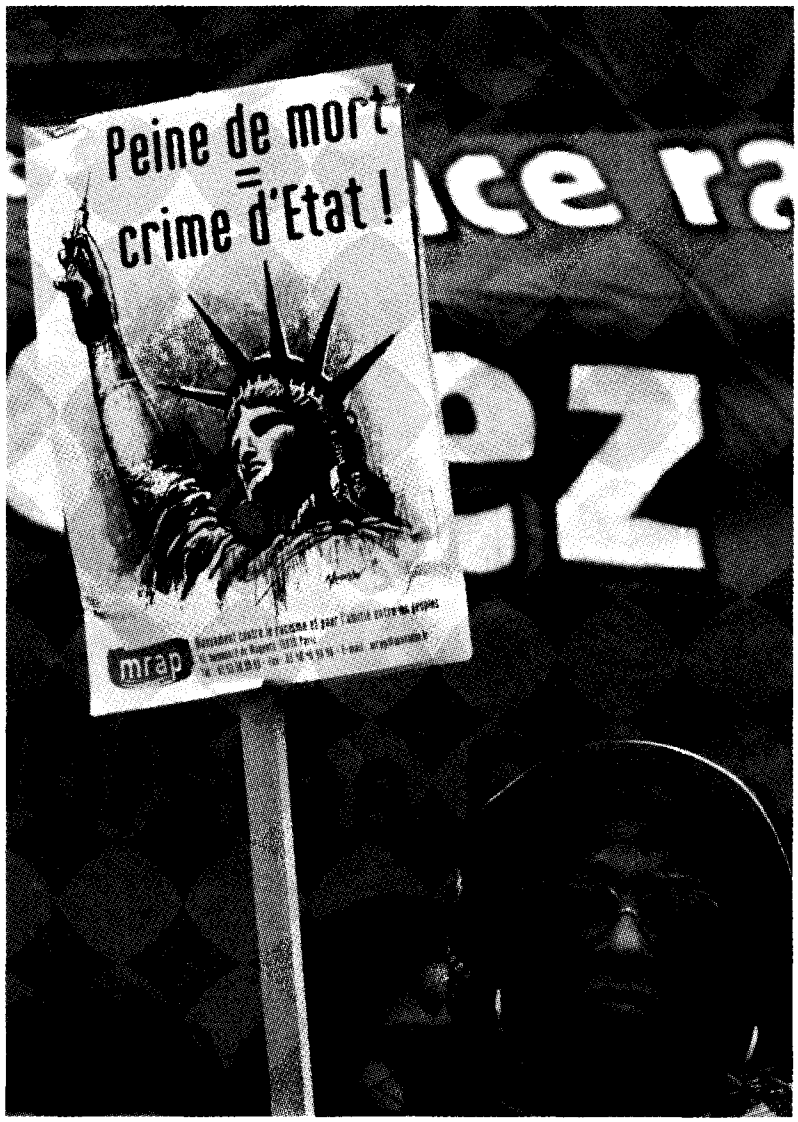

CORBIS-BETTMANN

Everybody's a critic:
Protesting the U.S. death penalty, Paris, January 20, 2001

municipalities across the country have passed resolutions calling on their states to follow suit. Even in Texas, support for the death penalty has dropped from 86 percent in 1994 to 68 percent today. This shift has resulted from the high number of reversed verdicts in capital cases and evidence that the penalty is applied unfairly. Sixty-four percent of Americans favor a temporary halt to executions while steps are taken to ensure that the system works fairly. Far from embracing the death penalty, Americans are debating it.

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Meanwhile, far more Europeans support capital punishment than their elites would let on. Fifty percent of Italians want the death penalty reinstated, about the same percentage as in France. In the United Kingdom, between two-thirds and three-quarters of the populace favors capital punishment. Significant majorities in France, Germany, and the United Kingdom say that the death penalty is an internal matter and that their governments should not exert pressure on the United States to abolish it.

These facts have not stopped the president of France's National Assembly from threatening to revoke U.S. observer status at the Council of Europe, which is formally committed to the death penalty's abolition. Yet the same government upholds a law that allows the state to jail suspects indefinitely without trial or bail—with an average pretrial detention period of four months. Furthermore, conditions in France's jails are notoriously horrific, replete with overcrowded cells, deplorable sanitation, inedible food, rape, and inadequate health care. In 1999, 124 French prison inmates committed suicide—almost the same number (134) of Americans put to death in Texas during George W. Bush's six-year tenure as governor. Yet there are no Americans picketing the Bastille.

Europeans also exaggerate America's love affair with guns and violence. A rash of tourist car-jackings in Miami and school shootings throughout the country has fed a frenzy of media hyperbole across the Atlantic. Some in the mainstream press have portrayed Americans as gun fanatics and their country as a travel destination as unsafe as Chechnya or Afghanistan. Yet these same reports fail to state how the United States is acting on its gun problem—for example, by banning assault weapons and implementing the Brady Bill, which mandates background checks on buyers of handguns. Polls show that strong majorities of Americans in fact favor stricter gun control: 87 percent want background checks at gun shows, and 77 percent support raising the minimum age for purchasing handguns from 18 to 21. Moreover, violent crime in the United States (murder, rape, and assault) is at its lowest level since 1978. The murder rate is at a 35-year low.

Or take genetically modified organisms (GMOs). In this case, European opinion has actually influenced how Americans think. The European press criticizes Americans for consuming and promoting

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bioengineered foods, and polls now show that American and European views are beginning to converge. More and more Americans support mandatory labeling; one recent survey found that 58 percent of Americans would avoid bioengineered foods if labeled as such. American companies such as Frito-Lay, McDonald's, Heinz, and Gerber are moving away from the GMO business. Europeans are winning the argument on GMOs and winning American converts—an ironic development, given that the food crises that have plagued Europe in recent months (e.g., mad-cow and foot-and-mouth diseases, and the dioxin scare) have involved "natural" rather than engineered foods.

A KINDER, GENTLER NATION?

ANOTHER oft-repeated but exaggerated charge by European elites is that America has sold its soul to savage capitalism and the military-industrial complex at the expense of the poor. In fact, with unemployment at four percent, inflation negligible, and home ownership at its highest level in U.S. history, America's economic success is wide as well as deep. The percentage of the federal budget dedicated to social spending (primarily Social Security, Medicaid, and Medicare) went from about 42 percent to 50 percent over the past decade, and it will soon top 60 percent. Meanwhile, military spending has declined from about 23 percent of the budget in 1980 (4.9 percent of GDP) to about 16 percent (2.9 percent of GDP) this year. And a government in the pocket of corporate interests would hardly have tried to topple Microsoft, the very symbol of U.S. technological hegemony, or maintain the most expensive and expansive regulatory system in the world. Fifty-five federal agencies and some 130,000 staff workers develop, implement, and enforce rules that protect citizen and worker health, preserve the environment, and provide for corporate transparency.

European commentators like to point out that, for all America's prosperity, inequality has grown. That rise in inequality is both true and unacceptable, but these commentators fail to note that the gap has grown from the top, not the bottom. Family income and per capita income have increased for all Americans. Meanwhile, the poverty rate has dropped to its lowest level since 1979. In 1999, as a share of GDP, federal tax collection reached its highest level since 1944—

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primarily because in a booming economy, the rich were paying heavily into the system. Poorer Americans found relief from federal tax liability through the earned income tax credit, which President Ronald Reagan instituted and President Bill Clinton greatly expanded. The much-discussed estate tax is levied against the top two percent of the population. Yes, President Bush seeks its repeal. But now some of America's most "savage" capitalists, including Warren Buffet and George Soros, have signed an extraordinary petition calling for its retention, lest federal revenues and charitable giving suffer.

That said, there does remain a transatlantic difference in economic philosophy. Americans seek equal opportunity, which risks leaving some behind. Europeans preach equal outcome, which promises greater equality—but from the bottom, not the top. In the 1990s, America adjusted to economic change by allowing inequality to rise, Europe by accepting higher unemployment. But even in this case, Europeans are coming around to Americans' way of doing business. At its "dot-com" summit last year, the European Union (EU) urged its member states to adopt flexible labor markets and policies that support innovation, further privatization, and economic deregulation. Throughout Europe, countries and businesses are following the U.S. lead in empowering shareholders, facilitating mergers and acquisitions, and providing greater corporate transparency.

Some European elites admit that the two sides are in fact converging, and therein lies the problem. In Europe, America is everywhere and everything is American, from movies to music, from McDonald's to Microsoft. Not only are the products American, so are their vehicles: the English language and the Internet. Meanwhile, the number of European workers, businesspeople, students, and tourists in the United States has reached record levels—an unlikely development if the "values gap" were as wide as critics allege. America's power may be imperial, but its reach depends on the free will of those "conquered," not the force of the "conqueror." McDonald's did not expand from 17 to 800 outlets in France since 1984 via the tip of a sword.

Still, Americans must be sensitive to Europe's concerns lest they add fuel to the backlash fire. And both sides should acknowledge that, when it comes to globalization, the United States and Europe share anxieties and opportunities that outweigh their differences. Americans,

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too, worry about the downsides of globalization—as demonstrated at the 1999 World Trade Organization (WTO) meeting in Seattle. Americans, too, fear being left behind in the global economy and are concerned about abdicating sovereignty to supranational institutions. At the same time, Europeans hold a strong hand in the supposedly U.S.-dominated globalization game. European multinational corporations such as Vivendi Universal and Bertelsmann are making their mark in America. A country like France—the world's fourth leading exporter, with comparative advantages in telecommunications, transportation, and aerospace—should welcome the new opportunities for trade and investment that globalization offers. Given their export-dependent economies, smaller natural-resource bases, and aging populations, European countries will need the global economy's open financial and commercial markets even more than Americans will.

Neither Europeans nor Americans can stop globalization, but they can pace and shape it by forging trade agreements, strengthening social safety nets, protecting the environment, setting labor standards, investing more in education, and improving access to technology. A fundamental question for Americans and Europeans is whether they will use their prominence and their partnership to spread the benefits and share the burdens of globalization. That challenge should unite the world's most fortunate societies.

THE STRATEGIC DIVIDE

"FRANCE," says its foreign minister, Hubert Védrine, "cannot accept a politically unipolar world ... nor the unilateralism of a single hyperpower." His view resonates in the pages of Europe's newspapers and the minds of many other leaders. It is nothing personal, Europeans are quick to add. Any country that becomes as dominant as the United States starts taking its friends for granted and itself too seriously. But the resulting conflicts of interest are straining the transatlantic strategic entente.

European diplomats and journalists claim that the United States increasingly defines its security requirements in ways that are deleterious to those of Europe. As proof, they brandish the Senate's failure in 1999 to consent to the CTBT and the current U.S. pursuit of NMD.

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Both choices are certainly open to criticism—and both are extremely controversial within the United States. But neither development should be cited as evidence that America has forsaken shared security. After all, the United States unilaterally declared a moratorium on nuclear testing in 1992—three years before France's controversial decision to resume testing—and continues to abide by it. Even more erroneous is the European argument that if an effective NMD is deployed, a more secure United States will become a less dependable ally. In fact, a more secure United States will likely prove an even stronger ally—because it will be even more willing to counter aggression or end oppression if its troops and territory are shielded from harm.

The transatlantic strategic split is in the minds of Europe's elite, not its people.

Europeans should remember that when the deployment of Soviet intermediate-range ballistic missiles placed Europe at risk in the 1980s, America put itself on the line by offering to deploy missiles in West Germany. Now, with the United States concerned about new missile threats to its security, Europeans have expressed reservations about sharing the risk. In any event, they increasingly seem to accept that some kind of missile defense is a fait accompli and even show guarded interest in cooperation with the United States on theater or boost-phase missile defense. And in the Balkans, where European interests were more immediately at stake than were Washington's, the United States led the way in ending war and building peace.

Europeans also charge that the United States talks up international norms and treaties—the nuclear test ban, the land-mines ban, the ICC, global warming treaties, and U.N. dues payments—only to flout them when they do not produce the results it wants. In fact, American activism launched each of these initiatives. Without Washington's leadership, the norms and treaties that Europeans cite to bash the United States might not exist. Presidents Dwight Eisenhower and John Kennedy fathered the nuclear test ban; Americans were the first to promote the ICC and the land mines and climate change treaties; the United States helped launch the U.N. and remains its largest contributor. Europe's complaint also risks boomeranging into its own glass

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house, revealing a sorry record of abiding by WTO decisions (e.g., beef and bananas) or its failure to stand up for U.N. sanctions against Iraq.

Yes, the United States sometimes seeks exceptions from international treaties and norms—precisely because of its enormous responsibilities to global security. Consider land mines. On the Korean Peninsula, 37,000 American troops serve in the name and under the mandate of the international community. They face one million North Korean troops across the border. Anti-personnel land mines, which are deployed where there are no villages or civilians, are a key part of the defense line. The Clinton administration sought an adequate transition period to phase out these mines and develop alternatives. When that was rejected, along with a minute change to a provision that banned America's self-destructing antitank mines but not those of other nations, the United States could not sign the treaty.

Even in the one area of real foreign policy friction—dealing with "states of concern"—crisis-mongers overstate the degree of discord. France, for example, shares America's disdain for Saddam Hussein and worries about missile proliferation. It just disagrees on what to do about them. Americans reflexively choose containment; Europeans, engagement. These tactical differences are important and, if they persist, could evolve into strategic divergence. But both sides are still far from that point. Hence the Bush administration should spare no effort to engage the Europeans in a strategic dialogue that would assess the threats that both sides face and then seek common ground.

This task would be easier to accomplish if European leaders listened to their own people. Two-thirds or more of those polled in the United Kingdom, Germany, and Italy—and half in France—expressed confidence that the United States would deal responsibly with world problems. Majorities believe that U.S. and European policies are compatible on European security, the Balkans, the Middle East, and even Iraq. Although majorities in the United Kingdom, France, Germany, and Italy think American power is growing, only small fractions (8, 17, 8, and 15 percent, respectively) see cause for concern. The transatlantic strategic split is largely in the minds of Europe's elite, not its people.

Unfortunately, that same elite sometimes tries to sell the people on the notion that the United States fears a stronger Europe and opposes

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its efforts at economic, political, and military integration. For example, former French President Valéry Giscard d'Estaing and former West German Chancellor Helmut Schmidt have claimed that Washington supports EU enlargement only because a watered-down union would pose a less coherent opposition to the United States. In fact, American leaders of both political parties have staunchly advocated a broader *and* deeper Europe, from George H.W. Bush, who helped usher in German reunification, to Bill Clinton, who received the prestigious Charlemagne prize last year for his efforts to advance European unity.

Europeans know they will need NATO's unique capabilities for decades to come.

American foreign-policy leaders believe that the prospect of joining the EU, NATO, and other Western institutions has encouraged countries on Europe's eastern and southern fringes to settle disputes over borders and ethnic minorities and to deepen their commitment to democracy and free markets. The result is a larger and stronger Europe. How Europe pursues integration (for example, through federation or reinforced cooperation) is a choice for Europeans to make. But most American policymakers support the full realization of a united Europe, with the express hope that it will make Europe a stronger partner for America.

Americans come to this view from the lessons of the twentieth century and the imperatives of the twenty-first. When Europe was divided, its people subjugated, and its nations at war, the United States also paid a price. Today, new problems defy borders: ethnic, racial, and religious conflict; the proliferation of weapons of mass destruction; networks of terror, crime, and drug trafficking; environmental degradation; and the spread of infectious disease. Hence the solutions are likely to be cheaper, safer, and more effective if pursued with allies rather than alone.

That is why Europe and the United States are in fact working more closely together, in ever-broader areas. Together, in the 1990s, they gave NATO new missions, members, and partners. They helped new democracies in central Europe and the Baltics join the transatlantic mainstream and turned the killing fields of the former Yugoslavia into a proving ground for new structures of cooperation: the Partnership

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for Peace, the NATO-Russia Founding Act, the Organization for Security and Cooperation in Europe, and of course, the EU.

The last is perhaps the most promising development in the transatlantic partnership. In less than a decade, the EU has grown much further and faster than was once predicted, turning a free-trade club for western European democracies into a multifaceted economic, political, and security alliance that is expanding its membership. At President Clinton's first transatlantic summit in 1993, Americans and Europeans used the forum solely as a technocratic trade dialogue. By Clinton's fifteenth such summit last year, the agenda had expanded to encompass a broad range of security, transnational, and economic issues. These included rebuilding the Balkans, establishing regional environmental centers in the former Soviet states, funding the Korean Energy Development Organization, combating AIDS and other infectious diseases in Africa, expanding debt relief for the poorest countries, bringing China into the WTO, and cooperating in the fight against international crime and terrorism.

Although the U.S. relationship with the EU remains in its infancy, the Europeans finally have answered Henry Kissinger's famous gibe about there being no "Europe" for America to call in a crisis. Now there is, and depending on the problem, EU leaders such as Romano Prodi, Javier Solana, Chris Patten, or Pascal Lamy answer the phone. It is true, however, that while each has the receiver in one ear, he also has 15 European ministers whispering in the other. As a result, Brussels' executive decision-making authority is circumscribed—just as (to a much lesser extent) the American Congress constrains the foreign policy ambitions of the president. Nevertheless, the ongoing construction of Europe's identity is giving the United States an increasingly valuable partner. With no other region of the world does the United States work so closely and so constantly to meet challenges within and beyond their borders.

One way to convince doubting Europeans that Americans actually do support their quest for identity would be to more actively encourage Europe's defense ambitions. The EU has vowed to build a 60,000-strong rapid-reaction force by 2003. If it makes good on this commitment—which will require close coordination with NATO; downsizing, modernizing, and professionalizing Europe's militaries; and increased

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defense budgets—the EU can better meet security challenges. Some of these may not engage NATO's interests (such as Albania's 1997 unrest or the recent crisis in Sierra Leone), whereas others (such as the Balkans) may need to be addressed in the event that NATO is otherwise occupied.

Despite wishful thinking by some Europeans and wolf-crying by some Americans, this force will not amount to a "European army" that threatens NATO. Europeans know that they will need NATO's unique capabilities for decades to come. What it could amount to is a more equitable sharing of the transatlantic defense burden, in which European members have the training, technology, and resources to act more on par with the United States. As Europe assumes greater responsibility for security on the continent and beyond, it should develop new perspectives on rules of international conduct that are more in line with American ones. In such a world, Europe and the United States are more likely to agree on the scope of an international criminal court, the sweep of a land mines treaty, or the sway of a U.N. mandate. The international system itself will emerge stronger as the U.S.-European consensus that underpins it grows broader and deeper.

Finally, many Cassandras are pointing to an increasingly antagonistic trade relationship. In the transatlantic lexicon, beef is indeed a four-letter word. So are bananas, GMOs, and foreign sales corporations. These commercial disputes bolster the impression that the United States and the EU are economic gladiators locked in a death match. In fact, such contentious cases account for less than two percent of trade and investment flows across the Atlantic, which total $36 billion a day. American investment in Europe has increased seven-fold over the past six years; U.S.-owned firms in Europe employ three million Europeans. European companies are the leading investors in 41 out of 50 U.S. states. One in 12 American factory workers is employed in one of the 4,000 European-owned businesses in the United States. This powerful economic partnership creates jobs, fuels growth, lowers prices, and increases choice in Europe and the United States. Yes, Washington needs to manage the disputes that do exist, lest they corrode relations. One way to do that would be to stop making the WTO—which is good at deciding cases on the technical merits but bad at dealing with those that have heavy political content—the court of first recourse for every transatlantic trade dispute. But the fact

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remains that transatlantic trade and investment ties, like the overall relationship, are overwhelmingly positive.

There is one trump card pessimists are prone to play: George W. Bush. "The United States now has a president who uniquely embodies many of the interests and assumptions that are helping to feed growing global alienation from American values and policy," writes Martin Kettle. French strategist Dominique Moïsi sums up this line of argument with a nice geographic flourish:

> Europe has more in common with California than Texas. ... Most Europeans are moved by the universal nature of Hollywood's message, in part because they have contributed to it. If they feel anything toward the Texan culture taking over the White House, it is alienation. Texas is another world, one most Europeans want nothing to do with.

What these writers fail to understand about contemporary America is that it is equal parts Massachusetts and Montana. On many of the specific issues that European elites cite as evidence of a disconnect with America—the death penalty, guns, unchecked capitalism, and unilateralism—most Americans express very "European" views. Besides, the Bush administration has already supported the EU rapid reaction force, pledged to consult closely with allies on missile defense, vowed not to withdraw troops precipitously or unilaterally from the Balkans, and begun to reconsider Iraq sanctions. All this is evidence that the reality of power often trumps the rhetoric of campaigns.

A PARTNERSHIP OF EQUALS

WHAT IS STRIKING, then, is the extent to which the United States and Europe are converging with respect to both values and interests. The "crisis" in U.S.-European relations is largely a myth manufactured by elites—politicians, intellectuals, and the media—whose views clash with those of the people they purport to represent. The motives behind this mischief may include a desire to diminish America's global influence, to use the United States as a scapegoat for domestic political gain, or to sell newspapers. Or it may reflect the fact that, for all its strength, the transatlantic relationship is in a period of transition. The end of the Cold War buried America and Europe's existential

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interdependence. Into the vacuum surged two largely complementary but sometimes conflicting phenomena: American "hyperpower" and a new European identity forged by economic, political, and security integration. As a result, American and European elites focus less on common values and interests and more on their differences.

But this much is true: in the sharing of ideals and the search for partners in a more complex world, Europeans and Americans still look to each other before they look to anyone else. Their manifest and multiple affinities far outweigh their differences. Their partnership benefits them both. Now the task is to make that partnership even more effective for the future. As during its first 50 years, a continued transatlantic alliance would be good for the United States, good for Europe—and good for the world.

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The New Geography of Conflict

Michael T. Klare

VITAL INTERESTS

In October 1999, in a rare alteration of U.S. military geography, the Department of Defense reassigned senior command authority over American forces in Central Asia from the Pacific Command to the Central Command. This decision produced no headlines or other signs of interest in the United States but nevertheless represented a significant shift in American strategic thinking. Central Asia had once been viewed as a peripheral concern, a remote edge of the Pacific Command's main areas of responsibility (China, Japan, and the Korean Peninsula). But the region, which stretches from the Ural Mountains to China's western border, has now become a major strategic prize, because of the vast reserves of oil and natural gas thought to lie under and around the Caspian Sea. Since the Central Command already controls the U.S. forces in the Persian Gulf region, its assumption of control over Central Asia means that this area will now receive close attention from the people whose primary task is to protect the flow of oil to the United States and its allies.

The new prominence of Central Asia and its potential oil riches is but one sign of a larger transformation of U.S. strategic thinking. During the Cold War, the areas of greatest concern to military planners were those of confrontation between the U.S. and the Soviet blocs: central and southeastern Europe and the Far East. Since the end of

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Michael T. Klare is Five College Professor of Peace and World Security Studies at Hampshire College and the author of *Resource Wars: The New Landscape of Global Conflict.*

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the Cold War, however, these areas have lost much strategic significance for the United States (except, perhaps, for the demilitarized zone between North and South Korea), while other regions—the Persian Gulf, the Caspian Sea basin, and the South China Sea—are receiving increased attention from the Pentagon.

Behind this shift in strategic geography is a new emphasis on the protection of supplies of vital resources, especially oil and natural gas. Whereas Cold War–era divisions were created and alliances formed along ideological lines, economic competition now drives international relations—and competition over access to these vital economic assets has intensified accordingly. Because an interruption in the supply of natural resources would portend severe economic consequences, the major importing countries now consider the protection of this flow a significant national concern. In addition, with global energy consumption rising by an estimated two percent annually, competition for access to large energy reserves will only grow more intense in the years to come.

Accordingly, security officials have begun to pay much greater attention to problems arising from intensified competition over access to critical materials—especially those such as oil that often lie in contested or politically unstable areas. As the National Security Council observed in the White House's 1999 annual report on U.S. security policy, "the United States will continue to have a vital interest in ensuring access to foreign oil supplies." Therefore, the report concluded, "we must continue to be mindful of the need for regional stability and security in key producing areas to ensure our access to, and the free flow of, these resources."

FAULT LINES

CONCERN OVER access to global resources has, of course, long been an important theme in U.S. security policy. In the 1890s, for example, the nation's preeminent naval strategist, Captain Alfred Thayer Mahan, won widespread support for his argument that the United States required a large and capable navy in order to bolster its status as a global trading power. This perspective also shaped the geopolitical thinking of Presidents Theodore Roosevelt and Franklin Delano

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Roosevelt. During the Cold War, however, resource concerns were often subordinated to the political and ideological dimensions of the U.S.-Soviet rivalry. It is only now, with the Cold War safely over, that securing access to vital materials has again assumed a central position in American security planning.

Evidence of this revival of interest in resources was especially plentiful during last year's global shortage of petroleum and natural gas. President Bill Clinton flew to Africa in August 2000 with the hope of obtaining additional oil from Nigeria—currently one of America's leading suppliers—and prodded the Caspian states to accelerate the construction of new pipelines to Europe and the Mediterranean. Meanwhile, then Governor George W. Bush used the presidential campaign debates to call for oil and gas exploration in U.S. wilderness areas in order to reduce the nation's dependence on foreign supplies. Once elected, he made one of his earliest foreign policy initiatives a meeting with Mexican President Vicente Fox to discuss proposals for increasing the flow of energy from Mexico to the United States.

A similar focus on the acquisition or protection of energy supplies is evident in the strategic thinking of other powers. Large energy importers, such as China, Japan, and the major European powers, have made ensuring the stability of their supplies a top priority. Russia is placing greater foreign policy emphasis on energy-producing areas of Central Asia. Although Moscow continues to worry about developments on its western frontiers in the areas facing NATO, it has devoted considerable resources to strengthening its military presence in the south, in the Caucasus (including Chechnya and Dagestan), and among the former Soviet Central Asian republics. Similarly, the Chinese military has shifted its concentration from the northern border with Russia to Xinjiang in the west (a potential source of oil) and to offshore areas of the East and South China Seas. Japan has followed China to these seas and has boosted its own ability to operate there, procuring and deploying new warships and a fleet of missile-armed P-3C Orion patrol planes. Securing access to sufficient supplies of oil and gas is also a great concern of the newly industrializing nations of the developing world, such as Brazil, Israel, Malaysia, Thailand, and Turkey—many of which are expected to double or triple their energy consumption rates over the next 20 years.

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Although obtaining sufficient supplies of energy is becoming the foremost resource priority for some states, the pursuit of adequate water will be the central focus for others. Water supplies are already insufficient in many parts of the Middle East and Southwest Asia; continued population growth and the increased likelihood of drought from global warming will likely create similar scarcities elsewhere. To further complicate the problem, water supplies do not obey political boundaries, and so many of the countries in these regions must share a limited number of major water sources. With all the states that touch these waters seeking to increase their allotted supplies, the danger of conflict over competition for these shared supplies will inevitably grow.

About four-fifths of the world's known petroleum reserves lie in politically unstable or contested areas.

In other parts of the world, localized conflicts have broken out for control of valuable timber and minerals. Typically, these conflicts entail a struggle between competing elites or tribes over the income derived from commodity exports. In Angola and Sierra Leone, for instance, rival groups are battling for control of lucrative diamond fields; in the Democratic Republic of the Congo (D.R.C.), the conflict concerns copper as well as diamonds; and in parts of Southeast Asia, various groups are fighting over valuable stands of timber. The recent bloodshed on Borneo arose from clashes between the indigenous Dayak, who have long occupied Borneo's extensive forests, and settlers from Java and Madura who were brought in by the Indonesian government to harvest all this timber. Although not a direct threat to the security of the major powers, these conflicts can lead to the deployment of U.N. peacekeeping forces—as in Sierra Leone—and thus impose significant demands on the world's capacity to manage ethnic and regional violence.

All of these phenomena—increased competition over access to major sources of oil and gas, growing friction over the allocation of shared water supplies, and internal warfare over valuable export commodities—have produced a new geography of conflict, a reconfigured cartography in which resource flows rather than political and ideological divisions constitute the major fault lines. Just as a map

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showing the world's tectonic faults is a useful guide to likely earthquake zones, viewing the international system in terms of unsettled resource deposits—contested oil and gas fields, shared water systems, embattled diamond mines—provides a guide to likely conflict zones in the twenty-first century.

A MAP OF THE WORLD

POLITICAL ANALYSTS have yet to devise a model that accurately represents the global power dynamic of the post–Cold War world. A comprehensive and predictive explanation of this dynamic must account for a variety of shifts in power politics and conflict zones. The bipolar face-off of the Cold War has been reconfigured to leave one global superpower—the United States—facing a group of smaller power centers, from western Europe to Russia, China, and Japan. In the early 1990s, violence in the former Yugoslavia, Kashmir, and Central Africa made the world community concentrate on preventing ethnic and intercommunal conflict, but this focus on ethnicity could not predict or address the violence in Africa over control of diamond fields, copper mines, and farmlands. Economic globalization is turning some poor areas into centers of prosperity and growth but leaving others behind in abject poverty, sparking conflicts that have more to do with resources than with nationalism. In short, contemporary world affairs defy exclusively political, security-related, and economic definitions.

A better analysis of stresses in the new international system, and a better predictor of conflict, would view international relations through the lens of the world's contested resources and focus on those areas where conflict is likely to erupt over access to or the possession of vital materials. The analysis would begin with a map showing all major deposits of oil and natural gas lying in contested or unstable areas. These zones of potential trouble include the Persian Gulf, the Caspian Sea basin, and the South China Sea, along with Algeria, Angola, Chad, Colombia, Indonesia, Nigeria, Sudan, and Venezuela—areas and states that together house about four-fifths of the world's known petroleum reserves. The map would also trace the pipelines and tanker routes used to carry oil and

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natural gas from their points of supply to markets in the West; many of these routes pass through areas that are themselves subject to periodic violence. The energy supplies of the Caspian region, for example, must cross the troubled Caucasus (encompassing Armenia, Azerbaijan, Georgia, and parts of southern Russia) before reaching a secure outlet to the sea.

A map of contested resource zones would also show all major water systems shared by two or more countries in arid or semi-arid areas. These would include large river systems such as the Nile (shared by Egypt, Ethiopia, and Sudan, among others), the Jordan (shared by Israel, Jordan, Lebanon, and Syria), the Tigris and Euphrates (shared by Iran, Iraq, Syria, and Turkey), the Indus (shared by Afghanistan, India, and Pakistan), and the Amu Darya (shared by Tajikistan, Turkmenistan, and Uzbekistan). Also included would be underground aquifers that similarly cross borders, such as the Mountain Aquifer lying beneath the West Bank and Israel.

Finally, this map would indicate major concentrations of gems, minerals, and old-growth timber in the developing world. These precious assets include the diamond fields of Angola, the Democratic Republic of the Congo, and Sierra Leone; the emerald mines of Colombia; the copper and gold mines of the D.R.C., Indonesia, and Papua New Guinea; and the forests of Brazil, Cambodia, the D.R.C., Fiji, Liberia, Mexico, the Philippines, and Brunei, Indonesia, and Malaysia on the island of Borneo.

Such a map, if properly designed, would truly delineate the places where armed combat is most likely to erupt in the years ahead. The mere presence of valuable resources in a particular area does not, of course, mean that conflict is likely to break out there. Other factors—including the relative stability of the countries or regions involved, the history of relations between them, and the local military balance—must also be considered. Israel and Syria, for example, fight over the Golan Heights because of a sovereignty dispute dating back to the 1967 war, in addition to the fact that some sources of the Jordan River lie there. Conflict over valuable materials is a significant feature in this and most other conflicts around the world today, so a map of contested resource zones is a more reliable indicator of potential violence than any other single factor.

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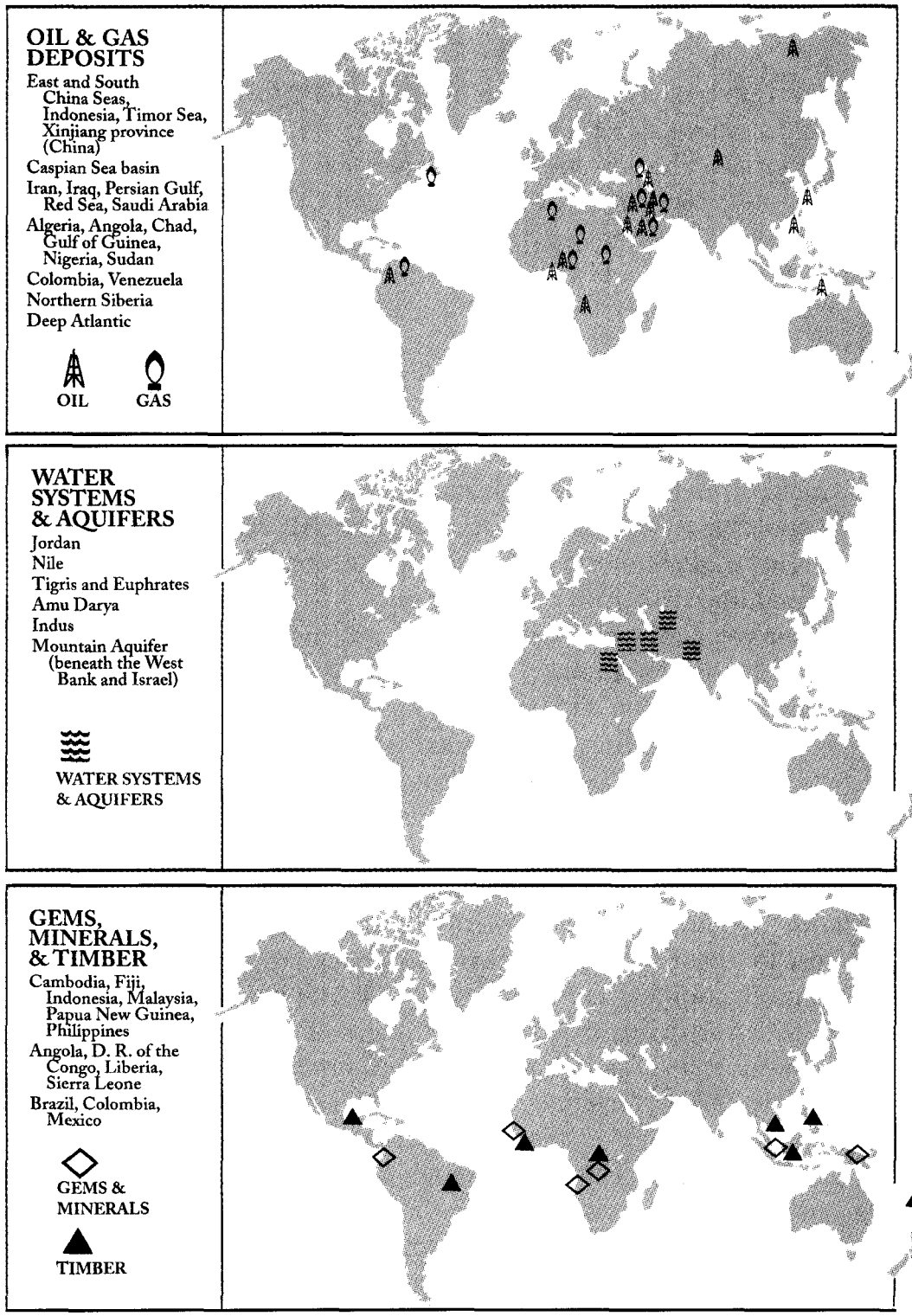
Possible Flash Points for Resource Conflict



MAP BY IB OHLSSON FOR FOREIGN AFFAIRS

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PREMONITORY TREMORS

IDENTIFYING AREAS of potential conflict over natural resources is also becoming increasingly important as the pressure on these fault lines grows. The pressure derives from a number of sources, beginning with the basic mechanics of supply and demand. As populations increase and economic activity expands in many parts of the world, the appetite for vital materials will swell more quickly than nature (and the world's resource firms) can accommodate. The result will be recurring shortages of key materials, becoming chronic in some cases. Technologies that introduce alternative materials and production techniques will help overcome some of these scarcities but can also present problems of their own—as shown, for example, by the soaring demand for electricity in Silicon Valley and other centers of digital technology. As shortages of critical materials rise in frequency and severity, the competition for access to the remaining supplies of these commodities will grow more intense.

The pressure on global petroleum supplies is likely to prove especially severe. According to the U.S. Department of Energy, global oil consumption is expected to rise from about 77 million barrels per day in 2000 to 110 million in 2020—an increase of 43 percent. If these estimates prove accurate, the world will consume approximately 670 billion barrels of oil between now and 2020, or about two-thirds of the world's known petroleum reserves. Of course, new reserves will be discovered during this period, and emerging technologies will allow us to tap into supplies previously considered inaccessible, such as those in remote northern Siberia and beneath the deep Atlantic. But the production of petroleum products is still not likely to keep pace with soaring demand; periodic shortages of the kind experienced in the summer and fall of 2000 will occur more and more often.

The global water situation is similarly fraught. Water is considered a renewable resource since we regularly receive fresh supplies from rain and snowfalls. But the amount of replaceable water that is available for human use in any given year is actually quite limited. At present, we use about half this amount—for drinking, bathing, food production, manufacturing, navigation, and waste treatment—and the need for additional supplies is growing all the time. Already, many areas of the

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Middle East and Asia suffer from persistent water scarcity, and the number of countries experiencing such conditions is expected to double over the next 25 years as the world population rises and more people settle in urban areas. By 2050, the demand for water could approach 100 percent of the available supply, producing intense competition for this essential substance in all but a few well-watered areas of the planet.

Environmental trends such as global warming will also affect the worldwide availability of many resources, including water and arable land. Although higher temperatures will produce increased rainfall in areas located near oceans and other large bodies of water, inland regions will generally experience drier conditions, with prolonged drought a recurring phenomenon. Higher temperatures will also increase the rate of evaporation from rivers, lakes, and reservoirs. It is likely, therefore, that many important farming areas will be lost, either to drought and encroaching desert inland, or to coastal flooding and the rise of global sea levels in maritime regions.

Market mechanisms can alleviate most of the increased pressures on the world's existing supply of vital materials. Rising demand, coupled with higher prices, will stimulate the development of new materials and processes that allow resource firms to search for new deposits and bring those that were once considered inaccessible within reach. But technology cannot completely reverse demographic and environmental pressures, and some countries and regions will be unable to afford the higher costs of alternative technologies. In these circumstances, global supply and demand will become increasingly unbalanced.

DANGEROUS NEIGHBORHOODS

WHAT MAKES this trend so worrisome is the fact that many important sources of vital materials are located in contested or chronically unstable areas. Some of the most promising sources of oil and natural gas lie in offshore areas whose ownership is a matter of fierce dispute. The five coastal states of the Caspian Sea, for example, have yet to agree on a plan for dividing up its offshore resource zones; the situation in the South China Sea is even more chaotic, with seven states claiming all or part of the region. Major disagreements over

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the ownership of oil-bearing border regions and offshore fields are also found in the regions of the Persian Gulf, the Red Sea, the Timor Sea, and the Gulf of Guinea.

Even when the ownership of particular reserves is not in dispute, as in the major onshore fields in Colombia, Iran, Iraq, Saudi Arabia, and Venezuela, the future availability of these supplies cannot be taken for granted; political and social unrest that may be completely unrelated to resource issues could nevertheless endanger the supplies. Although the Saudi regime has so far succeeded in suppressing all expressions of antigovernment sentiment, opposition to the monarchy appears to be growing (as reflected, for example, in the frequency of terrorist attacks), and there is no guarantee that it can be contained forever. The internal strains in Iran and Iraq are more evident, and in neither case do the tensions appear to be diminishing. Colombia is in the midst of a civil war, and political conditions in Venezuela have become highly volatile. Many other countries with significant supplies of oil and gas—Algeria, Angola, Indonesia, Nigeria, Sudan—are also prone to political and social disorder.

In just 50 years, global demand for water could nearly exhaust the available supply.

The threats to water supplies are roughly similar. Because many of the important sources of water in the Middle East and Asia are shared by two or more countries, it is essential that these states reach mutually acceptable agreements for the allocation of the available supplies. Few governments have chosen to do so, however. Egypt and Sudan agreed to divide up the Nile's flow in 1959 but declined to provide any supplies for Ethiopia and the other states that depend on the river's waters—an obviously unstable arrangement. Iraq and Syria have reached agreement on their respective appropriations from the Euphrates, but the river itself arises in Turkey, which has heretofore refused to sign a water-sharing agreement. Israel has yet to reach agreement with Syria over the Jordan River's headwaters and has not carried through with promises made to Jordan in 1994 regarding cooperative water projects in the Jordan River valley. The only major water-sharing arrangement that has demonstrated any degree of durability is the Indus Waters Treaty of 1960 between India and Pakistan—and even

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this pioneering agreement remains hostage to the future stability of these two countries' relations. There and elsewhere, international disputes over the allocation of existing supplies will grow more intense as populations increase and the greenhouse process accelerates global warming.

STAND AND DELIVER

DEVISING WAYS to peacefully resolve the increasing competition over natural resources is all the more urgent because many states continue to view controlling certain natural resources as a national security requirement—and something worth fighting for. In the United States, for example, President Jimmy Carter declared in 1980 that any attempt by hostile powers to cut off the flow of Persian Gulf oil would "be regarded as an assault on the vital interests of the United States of America," which the United States would repel "by any means necessary, including military force." Subsequent presidents have made similar statements, and substantial U.S. forces are now permanently deployed in the Persian Gulf to enforce this policy.

Other nations have been less explicit about their resource-protection policies, but there is no doubt that they hold similar views. China, for example, has declared the South China Sea part of its national maritime territory and has asserted its right to employ force to protect it. Although not mentioning China by name, Japan has warned of a threat to its vital trade routes (approximately 80 percent of Japan's oil supply comes by tanker through the South China Sea) and vowed to take appropriate protective measures. China's assertive posture has also spurred other neighboring countries, including Indonesia, Malaysia, the Philippines, Thailand, and Vietnam, to beef up their own air and naval capabilities.

Water, like oil and natural gas, has prompted talk of national security. "Water for Israel is not a luxury," the nation's second prime minister, Moshe Sharett, once declared. "It is not just a desirable and helpful addition to our natural resources. Water is life itself." In a similar vein, Boutros Boutros-Ghali, when he was Egypt's minister of state for foreign affairs, dramatically claimed in 1988 that "the next war in our region will be over the waters of the Nile, not politics." Some governments have also threatened to use their control over

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water supplies as an instrument of coercion: in 1989, for example, then President Turgut Özal of Turkey warned Syria that his government would cut off the flow of the Euphrates unless Syria curbed the activities of Kurdish terrorists operating from Syrian bases. The actual use of force in resolving water disputes—the Middle East war of 1967, for example, was sparked in part by the Arab states' plan to divert the headwaters of the Jordan River around Israel to Jordan—has been relatively rare. But the growing pressure on vital supplies, combined with the paucity of viable water-sharing agreements, will create more frequent clashes.

Finally, the protection of valuable mines, fisheries, and timber stands has become a matter of vital interest to poor countries that have few other sources of wealth. The governments of Angola and Sierra Leone, for example, have devoted much of their national incomes to protracted efforts to reassert control over diamond fields now occupied by rebel organizations. Similarly, the government of Papua New Guinea has launched several campaigns to reconquer the island of Bougainville—a rebellious territory that houses the world's largest copper mine. Contests of this sort will continue to arise so long as warlords and other internal factions in these countries perceive a potential benefit from seizing and exploiting major deposits of valuable materials.

SUITABLE ACCOMMODATION

RESOURCE SHORTAGES and conflicts represent only a small part of international policymakers' crowded agenda. But these disturbances often tie into other problems such as environmental degradation, economic disorder, population growth, and transnational crime. Resource issues also figure in many conflicts that are characterized in other ways—for example, as ethnic wars or political rivalries. An analysis of global resource trends and their associated political and geographic phenomena would, therefore, provide policymakers a powerful lens through which to examine the larger array of world security problems.

An analysis of this sort would also help leaders to craft broad policy prescriptions. Governments must devote greater effort to the develop-

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ment of alternative fuels and transportation systems, whether through increased financial support for research and development or via incentives for the private sector to invest in these areas. To ensure an adequate supply of water, moreover, more money should go toward exploring new desalination techniques and more-efficient crop irrigation. Efforts to negotiate a new international regime for the protection of tropical forests also require increased support.

But these endeavors must be accompanied by multilateral initiatives specifically aimed at reducing the risk of violent conflict over the use of shared or contested sources of vital materials. For example, the world community should bring pressure on the states bordering the Caspian and South China Seas to peacefully resolve all outstanding disputes over the ownership and development of offshore resources. International organizations and institutions could also urge that similar disputes around the Persian Gulf, the Red Sea, and the Gulf of Guinea be settled in this fashion. At the same time, the world community needs to persuade the states bordering on the Nile, Jordan, and Tigris-Euphrates river systems to negotiate a cooperative regime for the distribution of shared water supplies. On another front, multilateral cooperation could implement plans for the certification of diamonds from Africa, so as to exclude any originating in rebel-held areas of Angola and Sierra Leone.

This is by no means a definitive list of policy prescriptions, but it suggests the sort of steps that officials might take to prevent future crisis and conflict. Progress of this sort, however, can occur only if policymakers pay greater attention to global resource issues and address these matters in a coordinated, comprehensive manner. This means, at the very least, mapping global resource trends and identifying problem areas requiring international attention. Moreover, it means developing plans at the highest level to avert future resource emergencies and ensure the continued availability of vital materials. Only in this fashion can we have any confidence that the planet will safely accommodate the nine or ten billion people expected to inhabit it by 2050.

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The Rogue Who Came in From the Cold

Ray Takeyh

LIBYA MENDS ITS WAYS

As the Bush administration struggles to define its foreign policy, with sanctions slipping on Iraq and the prospect of missile defense raising complications around the world, a new question has emerged: How should Washington handle a "rogue" state that is gradually abandoning its objectionable practices? What should the United States do when its long-standing policy toward a maverick country such as Libya starts to pay off—and that country finally begins to clean up its act? The question has recently become a pressing one as, in a surprising twist of events, the often and justifiably maligned Libyan regime of Colonel Mu'ammar Qaddafi has started to meet international demands and redress its past crimes. How the United States responds will serve as a test of Washington's ability to reintegrate a reforming "rogue" into the community of nations.

On January 31, three Scottish judges deliberating at a specially convened court in the Netherlands convicted a Libyan intelligence agent for the 1988 bombing of Pan Am flight 103. The attack, which occurred over Lockerbie, Scotland, killed 270 passengers (including 189 Americans) and passersby, dramatizing the threat that terrorism and its state sponsors pose to the United States. The recent verdict has achieved a modicum of justice. But it has only reconfirmed, rather than resolved, the quandary that Libya's behavior raises for U.S. foreign policy. On the one hand, the verdict seems to have validated long-held

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Ray Takeyh is a Soref Research Fellow at the Washington Institute for Near East Policy.

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perceptions of Libya as a pariah state. But on the other hand, the very fact that Qaddafi surrendered the suspects suggests that international pressure has prompted subtle yet significant changes in his foreign policy. After decades of militancy, Libya seems to be accommodating itself to international norms.

Few have acknowledged the true dimensions of the challenge these changes pose for Washington. President George W. Bush must deal with the remaining Lockerbie-related issues—including how to force Tripoli to accept responsibility for the crime—while also figuring out how to move beyond them. Successive American administrations have proven adept at devising strategies for isolating offending regimes such as Libya's. But Washington has thus far neglected to plan what to do when it succeeds.

RADICAL SHEIK

MU'AMMAR QADDAFI came of age during the 1960s, as Libya and much of the developing world battled to escape imperial domination. This bitter struggle against colonialism shaped Qaddafi's political philosophy, infusing him with a deep suspicion of the West. It also convinced him of the inherent iniquity of the international order, and led him to the conclusion that Tripoli should be unfettered by international conventions or rules. Rather, as a vanguard revolutionary state, Libya should help liberate the rest of the Third World and reshape its political institutions.

With Libya's vast oil wealth at his disposal and a radical ideology as his guide, Qaddafi systematically attacked Western—especially American—interests, as well as conservative African and Arab leaders whom he routinely derided as "lackeys of imperialism." Libya lent its support to liberation movements, secessionists, and terrorists from the Philippines to Argentina, embarking on a course that culminated in the Pan Am explosion.

Then, in the 1990s, certain events pressed Qaddafi toward a pragmatic redefinition of his nation's interests. The collapse of the Soviet Union deprived Libya of its main counterweight to the United States and exposed it to the kind of unified international pressure that was once impossible. As Qaddafi became isolated, his ideology and

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methods came to seem hopelessly anachronistic. The colonel's anti-imperialism was eclipsed as the nonaligned bloc turned its attention to securing its position in the global economy. While Qaddafi remained rigid, much of the rest of the Arab world came to terms with Israel and grudgingly accepted the need for an American security umbrella. Libya's continuous interference in the internal affairs of other African states, meanwhile, estranged Qaddafi from that continent, the liberation of which he had often trumpeted as one of his highest priorities. Qaddafi thus spent the 1990s on the sidelines while his onetime revolutionary compatriots—leaders such as Nelson Mandela and Yasir Arafat—were feted in Washington and in European capitals. To remain relevant, Qaddafi realized, he had to accept the passing of the age of revolutions and the arrival of the age of globalization.

Another reason for Qaddafi's shift was the much-derided U.N. sanctions regime imposed on Libya after the Lockerbie bombing. The colonel had long believed that Libya's oil wealth and commercial appeal would undermine any cohesive opposition to his revolutionary excesses. But the Lockerbie sanctions, enacted by the United Nations in 1992, shattered that conviction. The United States managed to convince even states with close economic ties to Libya, such as Italy and Germany, to support the sanctions as a way to force Qaddafi to hand over the bombing suspects. As a senior Libyan official admitted, "when America imposed an embargo, the whole world followed it." For the first time, Qaddafi's militancy incurred a palpable cost.

Prior attempts to coerce Libya had proven ineffective: U.S. air strikes in 1986 only enhanced Qaddafi's domestic power and led to his lionization in the developing world. But the U.N. sanctions—particularly the prohibition on the sale of oil equipment and technology and a ban on financial transfers—hit Qaddafi where it hurt the most, undermining his government's ability to extract and export its main source of revenue. Libya estimates that the sanctions have deprived its economy of $33 billion, whereas the World Bank puts the damage at the lower but still daunting sum of $18 billion. Whatever their actual cost, the basic efficacy of the sanctions demonstrated Libya's special vulnerability to such multilateral coercion. Libya's economic vitality and its government's popularity depend on access to international petroleum markets. Thus the same resource that

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AP/WIDE WORLD PHOTOS

Once were warriors: Qaddafi with Nelson Mandela, Zuwarah, Libya, October 1997

gave Qaddafi the power to upset the international order also let the world community undermine him.

Already, in the 1980s, low oil prices had sparked an economic recession from which Libya could not escape. The sanctions of the 1990s then exacerbated the woes of an economy that was plagued with 30 percent unemployment and 50 percent inflation rates. Tripoli embarked on an austerity program, freezing salaries and reducing subsidies, but this proved dangerous for a regime that depended for its survival on buying the population's acquiescence. Demonstrations in urban areas soon erupted, as did at least two military coup attempts and an Islamic insurgency in the eastern provinces.

As Libya approached the brink of chaos in the mid-1990s, an extraordinary dispute broke out in the higher echelons of the regime. The pragmatists in the bureaucracy—led by the late General Secretary Umar al-Muntasir and Energy Minister Abdallah Salim al-Badri—stressed the need for structural economic reforms and international investments to ensure Libya's long-term economic vitality and political stability. The hard-liners—including long-time Qaddafi confidant

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Abdelssalem Jalloud—wanted to continue defying the West, for they saw Libya's past radicalism as the basis of the regime's legitimacy.

As the debate raged, Qaddafi at first remained strangely silent, unwilling or unable to make a decision. But in 1998, the colonel seemed to resolve the debate in favor of the pragmatists. A series of articles in the official daily *Al-Jamahiriya* began to criticize the intransigence of the hard-liners and their inability to recognize prevailing global realities. The Revolutionary Committees—informal groups of zealots, drawn from the lower echelons of Libyan society and indoctrinated in radical ideology, that served as the hard-liners' power base and had dominated Libyan politics since their creation in the late 1970s—were purged and relegated to the margins of society. Meanwhile, the pragmatists were granted an all-important advantage: proximity to the colonel. "We cannot stand in the way of progress," announced Qaddafi. "No more obstacles between human beings are accepted. The fashion now is the free market and investments." In April 1999, Qaddafi accepted U.N. demands for the trial of the Lockerbie suspects in the Netherlands, announcing shortly thereafter that "the world has changed radically and drastically. The methods and ideas should change, and being a revolutionary and a progressive man, I have to follow this movement."

The same resource that let Qaddafi upset the international order was ultimately used to undermine him.

In the last few years, Qaddafi has begun to offer a new vision for Libya. In a September 2000 speech commemorating the Libyan Revolution, he not only proclaimed an end to his long-standing anti-imperialist struggle but also suggested that it was time for former antagonists to start cooperating with one another. In a series of seminars and speeches, the colonel outlined his new ideas to his restive constituents, declaring, "Now is the era of economy, consumption, markets, and investments. This is what unites people irrespective of language, religion, and nationalities." The hoary policies of subsidizing rebellions and plotting the overthrow of sovereign leaders have become unsustainable in the era of economic interdependence—even for oil-rich Libya. As a sign of the times, the regular procession of visitors to the colonel's tent no longer includes guerrilla leaders and terrorists, but instead features investment consultants and Internet executives.

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Qaddafi has also begun to shift his international focus toward Africa. After decades of involvement in the Middle East, in March 1999 the colonel proclaimed his new orientation with a typical flourish, announcing, "I have no time to lose talking with Arabs. ... I now talk about Pan-Africanism and African unity." There is a certain logic to this new focus; after all, the Organization of African Unity (OAU) was the only regional group to defy the U.N. sanctions on Libya, and Nelson Mandela, Africa's elder statesman, was instrumental in resolving the Lockerbie crisis. While Arab politicians equivocated during the 1990s, African leaders warmly embraced Qaddafi. Mandela even hailed him as "one of the revolutionary icons of our time."

Libya's new Africa policy has become the first test of Qaddafi's evolving ideology and newfound moderation. Previously, Libya had tried to export revolution through Africa by subsidizing insurgencies and destabilizing local states. Now Qaddafi seems to have abandoned his radical heritage. He has focused on mediating crises while claiming a place at the African roundtable. The colonel has embarked on a high-profile diplomatic campaign to settle conflicts in the Democratic Republic of the Congo, the Horn of Africa, Sudan, and Sierra Leone. Libya has also signed bilateral trade and cultural pacts with Niger, Senegal, and South Africa, while extending aid to Ethiopia, the Ivory Coast, Mali, Tanzania, Uganda, and Zimbabwe. Tripoli has even demonstrated an uncharacteristic appreciation for multilateral institutions. Not only has it participated constructively in various regional forums, but it has hosted an extraordinary OAU meeting to press for the creation of a "United States of Africa" as a means to promote solidarity and economic integration. Most of these initiatives have yet to produce substantial practical results. But their importance lies in the fact that, after decades of attempting to subvert Africa's state system, Qaddafi is now making positive contributions to the continent's political cohesion and economic rehabilitation.

THE ROAD TO REDEMPTION

QADDAFI'S philosophical evolution and his African endeavors have sparked some interest in the international community. But further changes must occur before rapprochement with the United States will be possible. Three problems in particular loom large: Libya's

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support for terrorism, its attempts to acquire weapons of mass destruction (WMD), and its opposition to the Arab-Israeli peace process.

American objectives in Libya have never been explicitly directed at toppling Qaddafi. This is explained by the fact that the colonel's adventurism, while disturbing to Americans, has never actually destabilized fundamental U.S. interests. This puts Qaddafi in a very different category from that occupied by a leader like Saddam Hussein, who twice invaded his neighbors and continues to seek hegemony over the Persian Gulf. Qaddafi has also shown himself to be more susceptible to international pressure than Saddam. Successive American administrations have stated that they would welcome resumed relations with Libya if Qaddafi would just abandon his provocative behavior. Now he may finally be doing just that.

Although Libya has a long history of supporting outlawed organizations such as Italy's Red Brigades and the Irish Republican Army, Qaddafi has recently severed his links to his terrorist clients and abandoned terrorism as an instrument of policy. In 1999, for example, Libya expelled the Abu Nidal organization from its territory and broke its ties to other radical Palestinian groups such as the Popular Front for Liberation of Palestine–General Command and Palestinian Islamic Jihad. In addition, in accordance with an Arab League agreement, Libya has extradited Islamist militants and suspected terrorists to Egypt, Yemen, and Jordan. Once-notorious training camps have been closed down, and terror groups have been told to find other sources of arms and supplies.

Apart from terrorism, U.S. policymakers have also been concerned by Libya's attempts to acquire WMD. Here there seem to be fewer signs of improvement. Since the April 1999 suspension of the U.N. arms embargo, Libya has sought to modernize its decrepit armed forces by acquiring advanced weapons from North Korea and Russia. And the CIA recently announced that "Tripoli has not given up its goal of establishing its own offensive [chemical weapons] program."

Although Libya has made progress toward acquiring chemical weapons, it has not yet managed to become a nuclear threat. As the Pentagon describes it, Libya's nuclear project "lacks well-developed plans, expertise, consistent financial support, and adequate foreign suppliers." And Libya's nuclear infrastructure is limited to a Soviet-made

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research reactor operating under the auspices of the International Atomic Energy Agency.

Washington should recognize that Tripoli's attempts to acquire WMD make a certain kind of sense. After all, Libya is richer than its neighbors but is sparsely populated and has long, unsettled borders. The country's lucrative oil fields have, at various times, been coveted by neighbors such as Algeria. And Libya's unsteady relations with Egypt have caused sporadic tension on Libya's eastern flank. Little wonder, then, that Tripoli has chosen to build up its air power, missile force, and chemical weapons in order to deter potential adversaries with larger armies. Both of these factors—the rudimentary level of Libya's WMD program and the genuine basis for its regional insecurity—suggest that it might be possible to persuade Tripoli to abandon its plans for WMD. U.S. diplomacy should persuade Libya that its WMD projects will only precipitate a regional arms race that will exacerbate, rather than alleviate, its vulnerability. Even if Qaddafi remains unpersuaded, Libya's primitive facilities and poor technological infrastructure ensure that the country will not become a nuclear threat anytime soon.

A third major obstacle in U.S.-Libyan relations has been Qaddafi's ferocious rejection of efforts to settle the conflict between Israel and its neighbors. But here again Libya seems to have undergone a conversion in the past few years. Although the colonel still makes shrill calls for the "battle of the century" to end the "Zionist occupation," on a practical level Libya has yielded to American demands by terminating its support for rejectionist Palestinian groups and accepting the Palestinian Authority's right to negotiate with Israel. In the past, the kind of violence now occurring in the West Bank and Gaza would have led to the dispatch of Libyan arms and aid to Palestinian militants. This time, Qaddafi has limited himself to sporadic rhetorical fulmination and avoided tangible measures that would add further strain to an already tense situation. Qaddafi may never cross the existential barrier that some other Arab leaders have traversed by recognizing Israel. But in practice, he has already extricated Libya from Arab-Israeli confrontations.

Libya's ongoing reintegration into the world community has already started to pay off, and the rewards it has won from reclaimed trade

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partnerships have generated a desire within the country to come to terms with the Americans as well. Unlike Iran, which refuses official contact with the United States, Libya is eager to open a diplomatic dialogue. Abuzed Dorda, Libya's U.N. envoy, has said, "I expect that we will sit down with the Americans and put the past behind us." Even Qaddafi, in his own eccentric manner, has made overtures to the new American president, stressing, "I believe that George W. Bush will be nice. As a person he is not malicious or imperialist. I believe that he attaches importance to the United States and does not have world ambitions." A modest level of trade has already quietly developed between the two states. Last year, Libya took advantage of the newly eased sanctions on food and medicine to purchase 50,500 tons of wheat and 26,100 tons of corn from the United States. In a further, subtle signal to the United States, last November Libyan General Secretary Mubarak al-Shamikh dismissed reports that U.S. oil companies' assets in Libya have been nationalized and pledged that American investments are "protected and waiting for them to return." All of this suggests that a flexible yet determined American policy toward Libya stands a good chance of convincing Qaddafi to make further pragmatic adjustments.

NEW WINE IN NEW BOTTLES

THE CHALLENGE that Libya poses for the Bush administration is how to acknowledge Qaddafi's partial rehabilitation while continuing to press for further changes. Until now, the United States has relied on a range of unilateral and coercive measures (such as sanctions) to contain Libya. But in the aftermath of the Lockerbie trial, with U.N. sanctions having been suspended, the United States can hardly isolate Libya on its own. Unless it adds incentives to the mix, Washington will have little in the way of leverage.

Unlike the United States, Europe has responded to Libya's overtures with uncritical dialogue and greatly increased trade. But whereas U.S. policy may be too unyielding, the European model goes too far in the other direction. By warmly welcoming Libya back into the international fold, Europe has rewarded (or, at best, ignored) Qaddafi's continued refusal to accept basic responsibility for the Pan Am bombing

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and turned a blind eye to his noncompliance with other international demands. Still, since Europe is Libya's foremost trading partner and the market for nine-tenths of its oil exports, the success of any U.S. policy will depend on European compliance and support.

A U.S.-Libyan dialogue should start by focusing on the remaining U.N. demands relating to Lockerbie—namely, that Tripoli pay compensation to the families of the victims and formally renounce terrorism. For symbolic reasons and to deter future crimes, these two points should be made non-negotiable prerequisites to any softening of U.S. policy toward Libya. Fortunately, the chances for success on these issues are good. Despite Libya's refusal to compensate Americans for state-sponsored crimes, recent history suggests it may eventually offer restitution. In 1999, for example, after a court in France convicted six Libyan intelligence officials for the 1989 bombing of a French UTA flight over West Africa, Libya paid out $25.7 million in reparations. Now, in exchange for both direct compensation and a Libyan admission of responsibility, Washington should consider removing Tripoli from its list of state sponsors of terrorism, rescinding its ban on American citizens' travel to Libya, and unfreezing the country's assets in the United States.

A similar approach should be used to dissuade Libya from acquiring WMD. The chances that Libya will manage to assemble nuclear weapons anytime soon are remote, but Qaddafi's pursuit of chemical weapons and delivery systems remains a threat. The United States should therefore mount a concerted diplomatic campaign involving not just Libya but also Europe. The political cost of the five-year-old Iran-Libya Sanctions Act (ILSA) has been considerable and its impact on deterring investments in "rogue" states negligible. The Bush administration should thus allow ILSA to expire in August in exchange for a European ban on the export to Libya of sensitive technology.

In a similar vein, the United States should start talking to Russia about preventing arms sales to Libya. Since these sales have been stymied by long-outstanding Libyan debts for prior purchases, the Russians may be more inclined to cooperate here than they have been on arms sales to Iran. In the end, however, keeping WMD technology out of Libyan hands will require a complex, broad-based, and multilateral policy.

In addition to coordinating international measures, the United States should also use its own set of incentives to get Tripoli to acquiesce

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to various WMD treaties. Libya has already signed the nuclear Nonproliferation Treaty. It should be pressed to sign the Chemical Weapons Convention as well, and to permit the inspections that treaty mandates. In exchange for such compliance, the United States could stop blocking Libya's access to international capital markets, establish low-level diplomatic representation, and allow U.S. investment in Libya's non-oil sectors. The flow of investments into Libya need not be limited to the energy sector: Tripoli is also trying to refurbish its airline and financial services industries and its national infrastructure, and these projects offer lucrative opportunities for U.S. firms.

RIGHTING THE ROGUE

IT MAY TAKE a number of years before U.S.-Libyan diplomatic relations are fully restored at the ambassadorial level and American oil firms return to Libya. Until then, the United States should monitor Libya's compliance with international standards and offer concessions only after judging Tripoli's record. The current administration should aim simply to establish a framework that can be used for the gradual resumption of U.S.-Libyan ties.

American policy, furthermore, should not try to directly alter Libya's international orientation. Instead, it should provide various inducements and pressures designed to help Libya move along its own path of moderation. This incremental normalization would reward constructive Libyan conduct and punish intransigence. It would also have the advantage of reconstituting international—particularly European—cooperation, an essential part of any Libya policy.

Most important, the Bush administration ought to accept the possibility of "rogue" states' rehabilitation. U.S. policy should employ a full complement of economic, political, and diplomatic tools not just to frustrate these states' nefarious designs but also to show them that, should they temper their policies, they can be reintegrated into global society. The Libyan case can provide a model for how to deal with a revolutionary regime that has grown weary of its isolation and ostracism. The United States should not waste the opportunity. Libya—and the world—will be watching.

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Meltdown in Ukraine

Adrian Karatnycky

TO RUSSIA WITH LOVE?

No country today has a more sullied reputation than Ukraine's. After 10 years of independence, this former Soviet republic is rated among the world's most corrupt nations by Transparency International, and it leads the pack in copyright piracy. To make matters worse, a lurid scandal now unfolding in the top echelons of Ukraine's government may utterly destabilize the country. Recently disclosed evidence appears to connect President Leonid Kuchma and his closest aides to the surveillance of parliamentarians, the suborning of judges, interference in criminal investigations, massive graft, falsification of election results, and the harassment of journalists—including the September 2000 disappearance and murder of on-line reporter Heorhiy Gongadze.

The crisis—which features a headless corpse, secret audio tapes, and alleged intrigues by Ukrainian and foreign intelligence and security services—has led to widespread protests within Ukraine. And it has already caused Kuchma to shy away from the West and move toward Russia's more accepting embrace. This shift, if it continues, could have dire geopolitical consequences. Ukraine's drive for independence helped precipitate the dissolution of the Soviet Union in 1991, and Kiev's autonomy remains crucial to preventing the re-emergence of Moscow as a major regional security threat. As Ukraine stands at the

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Adrian Karatnycky is President of Freedom House, a nongovernmental organization with offices in seven eastern and central European countries, including Ukraine. He is also co-editor of *Nations in Transit,* an annual survey of political and economic change in the postcommunist states of Europe and Eurasia.

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crossroads between democracy and repression, it is past time for the outside world to take notice and get involved.

THE TALE OF THE TAPES

IN DECEMBER 1991, many observers hoped that newly independent Ukraine would gradually establish an open society based on the rule of law. Motivated by the strategic importance of this country of 50 million people and worried that it might become a Russian puppet, the U.S. government provided $2.8 billion in aid to encourage democratic reform. These funds were supplemented by additional billions from western Europe and substantial loans from the International Monetary Fund and the World Bank.

Post-Soviet Ukraine's first president, Leonid Kravchuk (a onetime ideological secretary of Ukraine's Communist Party), and his successor, Kuchma (once the boss of the Soviet Union's main missile factory), often proclaimed their desire to integrate Ukraine into Europe. Despite their high-sounding rhetoric, however, initial reforms were halting, and throughout the 1990s Ukraine endured severe stagnation. The economy slowed sharply while poverty levels soared. Corruption ran rampant from the top of the state to the bottom, civic and political institutions remained weak, and most media remained under the control of the state or the oligarchs linked to it.

The rudiments of democracy and a market economy did manage to take root, however, and by 1999 Ukraine had begun to right itself. A fragile center-right parliamentary majority emerged, composed of free-market liberals, conservative nationalists, and parties with ties to oligarchic clans and big business. This coalition successfully pushed for major economic reforms, including the stepped-up privatization of state-owned industries. President Kuchma drew praise from the West for dismantling Ukraine's Soviet-era nuclear arsenal, for preventing strife between the country's ethnic Ukrainian majority and its Russian minority, and for appointing as his prime minister a highly regarded reformer, former Central Bank Director Viktor Yushchenko.

Privatization seemed to be gaining momentum as Ukraine's economy took off. In January 2001, GDP was up by more than 9.1 percent from the year before and industrial production had increased 19.5 percent. At

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the same time, the government projected an inflation rate of just 13.5 percent for the year, far lower than the hyperinflation rates that had devastated the country only a few years earlier. And wage and pension arrears were eliminated for most Ukrainian workers and retirees. All this was achieved even as the country, which imports most of its energy, was coping with skyrocketing oil and gas prices.

Now, however, Ukraine's dramatic success has come to a crashing halt, and the country is in the throes of a major political and institutional crisis. Trouble began with the September 16, 2000, disappearance of Gongadze—an investigative journalist who lacked a major print or television outlet but used the Internet to report on the financial machinations of the country's corrupt oligarchs. Two months after he vanished, a headless and badly decomposed body was found in the town of Tarascha, near Kiev. Gongadze's friends were told of the find, and a preliminary autopsy by a local investigator suggested the body was his. Within hours of his friends' arrival on the scene, however, the body was surreptitiously removed from the morgue. Several days later, the corpse resurfaced in Kiev. The prosecutor-general's office declared that the body had been dead for much longer than two months, and government investigators added that it was too badly decomposed to be identified. Officials also announced that Gongadze had been seen outside the country and they issued a missing person alert through Interpol.

The disappearance of a relatively unknown journalist might have been written off as a minor matter, despite the fact that

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Gongadze's family and colleagues launched a publicity campaign and several lawsuits to press for a complete investigation. But the scandal assumed major proportions on November 28, when the leader of the Socialist Party revealed to a stunned parliament audio tapes of conversations among Kuchma, his chief of staff, the head of state security, and the interior minister suggesting their complicity in the journalist's disappearance.

These conversations were laced with obscenities, crude humor, and antisemitism. They revealed a president obsessed with muzzling Gongadze and other critics. At one point, a voice resembling Kuchma's spoke approvingly of deporting Gongadze to Georgia and suggested kidnapping him and handing him over to the Chechens. "Grab him, strip him, leave him without his pants, let him sit there," the voice urged the interior minister.

Trouble began with the disappearance of a journalist and the appearance of a headless corpse.

The same person complained about numerous publications critical of the administration and listened to detailed reports from the security services about efforts to harass and intimidate media critics. At one point, the then interior minister described an elite unit engaged in dirty tricks and the harassment of media and political opponents. "This unit, their methods, they're without morals, they don't have any principles," he boasted. "My group is beginning to stifle [Gongadze]. And with your permission I will also talk with [the head of the tax service]"—apparently a request for permission to harass Gongadze through tax inspections. The interior minister also bragged about an act of arson against a distributor of antipresidential newspapers.

The tapes, which appear to have been recorded last summer, have been corroborated by real events. The opposition newspapers discussed in the recordings did indeed have their print runs confiscated by authorities, and various editors, journalists, and distributors were harassed as planned.

Kuchma initially remained silent about the tapes, while his aides declared them fabrications. Ukraine's prosecutor-general claimed that the president could never have been recorded in the first place,

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since his security system was ironclad. Meanwhile, the authorities continued to stonewall on the identity of the headless body. But in February 2001, they relented when DNA tests conducted in Russia showed a more than 99.9 percent match with Gongadze. The source of the tapes, meanwhile, was revealed to be Major Mykola Melnychenko, a 34-year-old officer assigned to Kuchma's security detail. Melnychenko, a decorated and highly trusted official, claimed he had used a digital recorder to record some 1,000 hours of the president's conversations over a year and a half. Public opprobrium mounted as more of the tapes' contents began to filter into Ukraine through U.S.-funded Radio Liberty and Ukrainian coverage of stories from Western newspapers.

The tapes released so far include conversations in which a regional governor seemed to offer Kuchma's family a 25 percent share in a factory soon to be privatized. The tapes also document the president and his security and law enforcement ministers making plans to intimidate judges, shut down the Ukrainian services of Radio Liberty and the BBC, and interfere in criminal investigations. In another conversation, the head of the state tax administration told Kuchma how he was covering up the multimillion-dollar tax fraud of a friendly oligarch. And in other discussions, local officials were explicitly ordered to deliver votes for Kuchma in the 1999 presidential election.

Because the tapes are digital recordings, their authenticity remains unproven. Western technical experts caution that some of the conversations could have been altered. But the sheer volume of the data suggests that the recordings are authentic. Moreover, Kuchma now admits that the voice and the crude conversational style are his, although he claims that the tapes have been doctored to include incriminating details. One deputy has been told by the president's representative to parliament that Kuchma routinely taped meetings as a means of record-keeping. It may therefore turn out that Major Melnychenko, now hiding somewhere in western Europe, simply copied the tapes from the presidential archives. This would explain the dismissal in February of state security chief Leonid Derkach, whose responsibilities are said to have included setting up the recording system. Whatever the origin of the tapes,

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the defensive behavior of the president's inner circle has only reinforced public belief that the recordings are authentic.

PEOPLE POWER

RECENT POLLS suggest that Kuchma is losing the battle for the hearts and minds of his citizens. As of February, fewer than one in eight Ukrainians believed the president's claim that the tapes were fabricated, whereas one in four thought them to be authentic. By a five-to-one margin, the public said it had absolutely no trust in Kuchma, while 95 percent said they were dissatisfied with the country's state of affairs.

Antigovernment demonstrations that began this winter, organized by a broad coalition of political parties, have drawn up to 20,000 protesters and have captured the imagination of a new generation of student activists. The ranks of demonstrators are expected to swell further, moreover, when Gongadze's funeral is finally held.

Several demonstrations have been marred by significant violence, which organizers credibly blame on incitement by plain-clothed security operatives infiltrating the opposition. Protests outside Kiev have been disrupted. Leaders of the nascent "Ukraine Without Kuchma" movement, the broad-based "Forum for National Salvation," and other opposition groups have been openly followed by security agents, and anti-Kuchma parliamentarians have been kept under surveillance by unmarked cars—despite the fact that Ukrainian law prohibits the shadowing of legislators.

The behavior of the president and his circle has created the impression that they are engaged in a wide-ranging cover-up, fueling public anger and cynicism. In December, Kuchma again blocked a bill that would have given parliament broad investigative powers and the resources to support them. Despite compelling evidence that Prosecutor-General Mykhaylo Potebenko has obstructed justice, the president has rejected calls to remove him from office. Although Kuchma dismissed Interior Minister Yuri Kravchenko in late March, the president has not set up an independent investigation into Kravchenko's alleged crimes. Meanwhile, a forensic scientist examining the DNA evidence in the Gongadze case has been intimidated by Ukrainian

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interior ministry police, and a physician who was assisting an independent DNA analysis of the Tarascha corpse has received death threats and is now seeking asylum in the United Kingdom.

The tapes have reinforced what many Ukrainian reformers and foreign governments long believed: that Kuchma sits atop a deeply corrupt, criminal power structure. For years, the United States and other Western governments unsuccessfully pressed Kuchma to sever his links with corrupt oligarchs. Indeed, when he visited the United States in November 1999, Washington refused to issue visas to Oleksander Volkov, a close ally of the president, and Ihor Bakai, then head of Naftohaz Ukrainy, a major oil and gas concern. Now Kuchma's callous indifference to alleged corruption in his inner circle reinforces the belief that he is corrupt himself.

The president's behavior has created the impression of a cover-up.

The sensational revelations are not likely to end anytime soon. In addition to the tapes, parliamentarians are said to possess documents relating to Kuchma's own financial accounts and transactions, which are being readied for release at an appropriate moment. According to proceedings in a San Francisco court, Pavlo Lazarenko, Kuchma's erstwhile prime minister, allegedly has bank accounts in the West valued at more than $100 million. In June 1999, Petro Kirichenko, a former aide to Lazarenko, was arrested for allegedly helping his erstwhile boss launder public funds. Kirichenko was picked up in California—where his boss had bought a $7 million home from the comedian Eddie Murphy—and is reportedly cooperating with U.S. prosecutors in the Lazarenko investigation.

Rather than feeding public apathy and indifference, the scandal has galvanized Ukraine's pro-reform forces, now organized around an energetic student-led movement called "For Truth." Although civic action and parliamentary opposition will not necessarily achieve Kuchma's ouster, public outrage is contributing to the emergence of a potentially crucial new factor in Ukraine's political life: a broad coalition committed to honest government.

The scandal is also contributing to parliamentary and public support for diminishing the vast and unregulated power of the Ukrainian

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presidency. As in nearly all the former Soviet republics, Ukraine's political system is dominated by an extraordinarily powerful president. The president appoints the prime minister, subject to parliamentary approval, and can install other ministers at will. The president also appoints regional governors—giving the executive powerful influence in local affairs—and a third of the judges in the nation's higher courts. Furthermore, the president can issue significant economic regulations, has extensive power to dissolve parliament and call referendums, and can be removed from office only for treason or other high crimes, and then only by an 80 percent vote in parliament.

If the crisis has a silver lining, therefore, it is the push it has given to efforts to correct Ukraine's deeply flawed constitutional arrangements, particularly the power imbalance among the three branches of government. At the heart of these efforts is a proposal to reconstitute Ukraine as a parliamentary republic. Draft amendments to the constitution that would redirect power from the president to parliament have already been endorsed by 228 out of 450 deputies, including leaders of the pro-reform Fatherland Party, the moderate nationalist Ukrainian People's Movement, the Socialists, and the Communists. If that total could rise to 300 votes (two-thirds of parliament), it would set in motion a nationwide referendum on ratification.

SALE OF THE CENTURY

FOR THE FIRST nine years following independence, Ukrainian foreign policy was directed westward, at eventual integration into European political and economic institutions. Last October, however, the first signs of an eastward shift appeared. The pro-Western foreign minister, Borys Tarasyuk, was sacked and replaced with Anatoly Zlenko, regarded as more acceptable to Russia. Simultaneously, Kuchma began to articulate the need for a more balanced approach to Kiev's external relations and for an improvement in ties with Moscow. Now the current scandal is reinforcing and hastening the tilt to the East. Western governments, media, and public opinion are not likely to tolerate close cooperation with a repressive and corrupt regime. And Western investors will shy away from a country with so much political uncertainty.

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As European and American criticism mounts, Kuchma has been drawn toward Russia, a trend reinforced by economic logic and Ukraine's heavy dependence on Russian energy. At a February summit between Kuchma and Russian President Vladimir Putin, the new closeness in their relationship was very much in evidence. Meeting in Kuchma's former home base of Dnipropetrovsk—not in Kiev, for fear of mass protests—the two leaders agreed to deeper economic and technological cooperation, largely through joint aerospace, military, and industrial production. Putin and Kuchma also agreed to reconnect Ukraine to Russia's energy grid, a step likely to increase Ukraine's already marked dependence on Russia. The agreements, which must be ratified by parliament, include several protocols that have not been made public. But Ukrainian analysts suspect that these provisions move the two countries even closer together.

This reintegration has been bolstered by a surge in Russian capital investment in Ukraine. In the last year, Russian companies have gone on a shopping spree, picking up Ukrainian enterprises in privatization auctions as the West, wary of Ukraine's instability, holds back. Russian operations have acquired oil refineries, aluminum plants, dairies, banks, and Ukrainian broadcast media. These investments have brought much-needed capital to Ukraine and may not be harmful in the short term. But some analysts—including Oleh Soskin, a former economic adviser to Kuchma who now heads a pro-reform think tank—worry that Russian investment will threaten Ukrainian sovereignty if it is not balanced by other investments from the West. This is especially so, Soskin argues, because Putin has demonstrated a strong capacity to marshal Russian business to support his political agenda.

It should be remembered, however, that Ukraine is not as pro-Russian as Belarus. Any moves toward full-scale repression, the surrender of sovereignty, or the opening of Ukraine's economy to a Russian takeover would likely be resisted by large segments of the Ukrainian public, its business leaders, and regional officials. Moreover, the country's recent boom has energized a broad range of economic actors who understand that Ukraine's prosperity depends on access to Western as well as Eastern markets. Ukrainian businesspeople also understand that the additional foreign loans needed to maintain the stability of the Ukrainian currency can come only from Western

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sources. Thus even some of Ukraine's powerful oligarchs are unlikely to favor the country's isolation from the West and may come to regard political repression as counterproductive.

FORWARD FUMBLE

WHAT, THEN, is the likely outcome of Ukraine's current crisis? Kuchma is certain to cling to his powers tenaciously. But the president will not be able to sweep the growing scandal aside. In the end, he will probably lose some of his authority permanently and may even be forced from office. This erosion of Kuchma's power could result from internal repression that leads to Ukraine's international isolation. If the president cracks down too hard on civic groups, the media, and opposition political parties, he will become a pariah in the West and thus increasingly dependent on his security chiefs and Russian patronage.

Another possible outcome is the formation of a pro-Kuchma coalition in parliament. The legislature is currently split into three nearly equal blocs: one that is reform-oriented and openly hostile to the president, another dominated by the oligarchs who support him (at least for the moment), and a third made up of the Communist Party and extreme anti-Western leftists. If the oligarchs and communists manage to come together and form a government, Kuchma's rule would be assured. But reform would lapse and Kuchma would become dependent on an unstable coalition that would require constant concessions. Alternatively, an alliance of reformers, oligarchs, and the business elite is also possible. This would restore the pre-crisis parliamentary status quo. Anti-Kuchma reformers, however, would demand serious concessions before they would join such a bloc. Their conditions would include a diminution of presidential powers and the replacement of corrupt ministers, the prosecutor-general, and the tax chief.

Two other outcomes are possible as well. All of the major political players could join together in a push for constitutional reform, restructuring the balance of political power in Ukraine by taking authority away from the president and vesting it in a prime minister answerable to parliament. Alternatively, massive public protests, spurred perhaps by the upcoming funeral of Gongadze or the visit

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of Pope John Paul II in June, could unleash a democratic revolution against Ukraine's entrenched interests.

Of these five possible futures for Ukraine, the first two—widespread repression or the formation of a coalition between oligarchs and communists—would have the worst impact on Western interests and values. The other three scenarios might allow for continued economic progress together with ongoing democratic reform. But since neither a popular uprising nor a stable restoration of the pre-crisis parliamentary coalition is particularly likely, Western policy should focus on more plausible prospects. This means trying to foster long-term constitutional reform and political compromise that preserves the pro-reform program of Prime Minister Yushchenko and leads to a durable system of checks and balances.

TOUGH LOVE

LAST FEBRUARY, after a month on the ropes and with Ukraine approaching chaos, Kuchma went on the political offensive. He let loose the militia and security services, who brutally beat some protesters and started criminal proceedings against others. But despite these heavy-handed gestures, Kuchma simultaneously began making concessions to his reformist prime minister. And one of Kuchma's staunchest allies—Sergei Tyhypko, a former deputy prime minister allied with one of the oligarchic clans—joined suit. Tyhypko issued what amounted to a call for compromise, saying, "We have to start with the acknowledgment that there is a problem and we need to launch a discourse. We need a dialogue. This dialogue has to begin with the leaders, with the parties, with the leaders of parliamentary factions. We need to shed extreme positions."

How should the United States, the European Union, and international donors respond to this complex and fluid situation? President George W. Bush, Secretary of State Colin Powell, and various European leaders have all warned of the dire consequences that await Ukraine's leaders should they pursue a path of repression. This strong tone toward Kiev should be maintained. Some in the West may be tempted to do little more than talk tough, believing the problems in Ukraine to be so deep-rooted and intractable as to be beyond resolution.

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Giving up would be a mistake, however. Despite recent events, the situation on the ground is actually far from bleak. The billions of dollars of foreign aid sent during the 1990s have not been squandered, and Ukraine today has significant pro-reform and pro-democracy forces, along with a new entrepreneurial class free from the corrupt oligarchic system. These factors, as well as the growing disaffection of some of Kuchma's backers among the oligarchs, have left the president vulnerable and susceptible to pressure.

To nurture the forces of reform, Western policy must remain actively engaged in Ukraine through both diplomacy and democracy assistance. Economic aid to the Ukrainian government should be made conditional on respect for human rights and the rule of law, even as assistance to independent civic groups and the media is significantly expanded. Aid programs should serve a variety of objectives. These must include institutional and constitutional measures to reduce presidential power, enhance the authority of investigative bodies (including parliament), ensure judicial independence, and promote a system of checks and balances. If a balance of power within the government is not restored, the current pattern of state scandals is likely to be repeated under future presidents.

Western aid should also aim to combat corruption by promoting transparency and by helping media and civic groups monitor abuses of power. This aid should be coupled with international efforts to track and expose corrupt Ukrainian officials, revealing the real estate, business, and financial holdings of government officials and comparing those holdings with the officials' publicly stated incomes.

Ukraine also needs technical assistance for its police and tax authorities. This aid must be linked to the services' strict depoliticization, however. Technical-assistance programs involving the Ukrainian interior ministry and the prosecutor-general's office should be suspended until officials linked to the obstruction of justice in the Gongadze inquiry and the tape case are removed from office.

Western policy should also funnel aid to exchange programs and educational initiatives that enhance links between Ukraine's future leaders and their counterparts in Europe and in the United States. Such programs should be expanded, and Ukraine should be encouraged to work with new democracies in central Europe.

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Finally, Western aid to civic groups, anticorruption activists, human rights organizations, and other Ukrainian policy centers should be dramatically expanded. The able U.S. ambassador in Kiev, Carlos Pascual, announced in mid-March a new initiative to help the Ukrainian media. But the $750,000 allocated for this purpose is significantly less than is needed. A low-interest loan and grant program for assisting independent print and broadcast media should be established, modeled in part on the successful Enterprise Fund programs that operates in central and northern Europe. Radio Liberty, which now reaches an audience of some 3.5 million listeners, has emerged as a major source for independent information as the state-controlled media have become more propagandistic. Radio Liberty's Ukrainian service should therefore be given new short-term resources to expand its reach and reporting.

Kuchma is no longer the guarantor of reform or of a pro-Western orientation.

In addition to these practical measures, a paradigm shift is also necessary for Western policy toward Ukraine. President Kuchma can no longer be regarded as the crucial personal guarantor of reform or of a pro-Western orientation. Indeed, Western leaders should recognize the possibility that Kuchma has become an obstacle to such aims. This is not to say, however, that Kuchma's resignation now would inevitably improve Ukraine's chances for reform. Other influential security and oligarchic forces are jockeying for control. Their accession to power could solidify the current patterns of corruption, anti-democratic practices, and drift toward Russia. Western efforts must therefore revolve around bolstering democratic civic and political forces and helping Ukrainians build more effective democratic institutions.

Although Kuchma's image has been badly tarnished and his stature diminished, he has not yet crossed the line into outright political repression. Until he does so or until incontrovertible evidence proves his involvement in criminal actions, he should not be ostracized. Instead, the West should press him to allow open and impartial investigations of alleged misconduct, to start discussing possible compromises with his domestic critics, and to cede more power to Prime Minister Yushchenko's reform government. Kuchma and his

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allies should be warned, however, of the punishing economic and diplomatic isolation that will result if they resort to repression.

The current crisis has shown that, after a decade of independence, most Ukrainians seem to have absorbed the norms of more established democracies: witness their appalled reaction to the alleged misconduct and corruption of their highest officials. Many Ukrainians have proven ready to mobilize in defense of democracy and the rule of law.

There remains a good chance, therefore, that the current scandal and political crisis will end auspiciously, with the kind of changes that will lead the country toward healthy and durable political and economic development. These changes are far from guaranteed. But should they occur, it will mean that the death of Heorhiy Gongadze—tragic though it was—was not entirely in vain.

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The U.S. Trade Deficit: A Dangerous Obsession

Joseph Quinlan and Marc Chandler

THE WRONG SCORECARD

EVERY U.S. president over the past quarter-century has confronted an annual trade deficit. But the cavernous trade gap inherited by President George W. Bush dwarfs those faced by his predecessors. America's current-account deficit (which measures the cross-border exchange of goods, services, and investment income) averaged more than $1 billion a day last year, reaching a record 4.4 percent of GDP. Many economists worry that the huge trade deficit, which must be financed by foreign investors, could lead to a full-blown financial crisis if and when those investors become unwilling to fund the imbalance. Something as benign as stronger economic growth in another country, for instance, could attract a larger share of the world's savings, leading to higher U.S. interest rates, a weaker dollar, and a grimmer economic outlook for the United States and the world.

Economists offer various explanations for the persistent U.S. trade deficit. Some argue that America buys more from the world than it sells because its companies are growing less competitive. Others blame the "unfair" trade restrictions and labor policies of other countries. Still others point to the underlying strength of the dollar, which makes American goods and services more expensive for foreign buyers.

JOSEPH QUINLAN is Senior Global Economist at Morgan Stanley Dean Witter and author of *Global Engagement: How American Companies Really Compete in the Global Economy*. MARC CHANDLER is Chief Currency Strategist at Mellon Financial Corporation.

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Whatever the proper explanation, a simple and important fact is absent from the debate: the trade balance is no longer a valid scorecard for America's global sales and competitiveness. Given a choice, U.S. firms prefer to sell goods and services abroad through their foreign affiliates instead of exporting them from the United States. In 1998, U.S. foreign-affiliate sales topped a staggering $2.4 trillion, while U.S. exports—the common but spurious yardstick of U.S. global sales—totaled just $933 billion, or less than 40 percent of affiliate sales. How U.S. firms compete in world markets, in other words, goes well beyond trade.

Still, trade erroneously remains the standard benchmark of global competitiveness. More worrisome, it is the most important factor shaping U.S. international economic policy. Overblown concern about the swollen trade deficit, combined with a slowing economy and the expectation of rising unemployment, could ignite a new round of trade protectionism in Washington, which could spark similar responses around the globe. The greatest danger on America's trade front, therefore, is not the size of the deficit but the nation's obsession with it.

INSIDER TRADING

THE RULE "make where you sell" increasingly governs the way American companies do business. It explains, for example, why Ford Motor Company and General Motors have long owned affiliates in Europe and have recently entered promising emerging markets such as Brazil and China. The principle also underlies Dell Computer's direct-investment positions in Europe and Latin America, as well as those of Cisco Systems and Microsoft in China. And because of the increased globalization of services, U.S. service giants such as American International Group, Citigroup, FedEx, and Yahoo have also set up foreign affiliates, leading the boom in U.S. foreign direct investment (FDI) over the last decade.

American companies simply cannot afford the luxury of staying at home. Multiple market opportunities, incessant technological advances, blurred industrial boundaries, and unrelenting global competition all demand that U.S. firms compete not just through

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trade but also through FDI. Being an "insider" is increasingly critical in markets around the world.

Numerous factors explain this trend. Contrary to popular perception, foreign consumers' demands vary according to location, requiring firms such as Procter & Gamble, Gillette, and Coca-Cola to be close to their customers. For example, China's vastly diverse cultures, dialects, and above all else, living standards demand that U.S. companies adapt their products to local tastes—that they follow Coca-Cola's mantra, "think local, act local." Chinese consumers, whether buying soft drinks, computers, or automobiles, are very brand-sensitive—which means that a local presence is crucial for success in the Chinese market.

Moreover, fierce competition for global market share compels U.S. firms to be close to their foreign competitors. How else can Eastman Kodak successfully compete in China against Japanese rival Fuji Photo Film? Wal-Mart cannot let its global competitor Carrefour of France enter key markets such as Brazil and Japan uncontested; neither can Citigroup, which battled Germany's Commerzbank for market supremacy in Poland last year. At stake for all these companies are new customers, new resources, new opportunities—and by extension, long-term success.

GLOBAL HEAVYWEIGHTS

CORPORATE AMERICA now has some 23,000 majority- and minority-owned affiliates strategically positioned around the globe. Together they rank among the world's largest economic producers, boasting a combined gross output of $510 billion in 1998—greater than the GDPs of most nations, including Mexico, Sweden, Taiwan, and South Korea. U.S. affiliates also contribute significantly to the GDPs of their various host nations. In 1998, they accounted for more than 16 percent of the GDP in Ireland, more than 9 percent in Singapore and Canada, and more than 6 percent in the United Kingdom.

The strategic objective of most U.S. foreign affiliates is to produce and deliver goods and services to the host market. In 1998, roughly two-thirds of total affiliate sales were made to customers in the host nation—virtually unchanged from the level in the early

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1980s. Yet as U.S. multinational corporations increasingly disperse different stages of production among different countries, their affiliates have also become world-class exporters of intermediate goods and components. In 1998, the exports of U.S. affiliates totaled $623 billion. That figure not only matched the total value of U.S. goods exports but also easily surpassed the export levels of Germany, Japan, and China.

Critics often claim that U.S. multinationals export cheaper products from their overseas affiliates back to the United States, thereby contributing to the U.S. import bill and undermining American jobs and income. But in fact, most U.S. affiliate exports do not go to the United States. In 1998, only 30 percent of them went to the United States; the bulk of the rest went to regional markets close to the host nations. Moreover, the majority of affiliate exports do not emanate from low-wage nations such as Brazil, China, or India. Rather, nearly three-fourths of total affiliate exports in 1998 came from high-wage industrialized nations such as Canada, the United Kingdom, and Germany.

U.S. affiliates also stand among the world's top employers, collectively employing more than 8 million people in 1998—a workforce greater than that of most countries. Most Americans assume that the bulk of this workforce toils in developing nations under extreme and unfair conditions. But in fact, corporate America's global workforce is concentrated in the high-wage developed nations. In Europe alone, U.S. affiliates employed some 3.5 million workers in 1998—more than the combined U.S. workforce in Latin America and developing Asia. In Canada, some 935,000 workers were on U.S. payrolls in 1998—more than four times the number employed by U.S. affiliates in China.

LOCATION, LOCATION, LOCATION

NOT ONLY are U.S. affiliate sales significantly larger than U.S. exports, but they are also dispersed differently across the globe. Since the end of World War II, America's FDI levels have soared, and Europe, notably the United Kingdom, has emerged as the favorite destination for U.S. multinationals. As Europe recovered from the ravages of war and moved toward creating a common market, U.S. firms seized the

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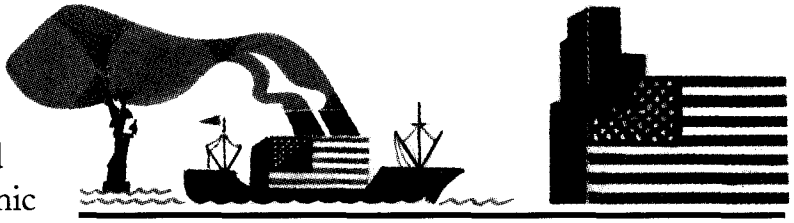

U.S. Exports vs. U.S. Foreign-Affiliate Sales, 1998
(IN BILLIONS OF U.S. DOLLARS)

Country	*Exports to*	*Affiliate Sales from*
U.K.	$39.1	$224.0
Germany	$26.7	$163.1
Canada	$156.6	$209.5
Japan	$57.8	$77.2
Brazil	$15.1	$52.9

Source: U.S. Department of Commerce
Note: Figures are for goods only.

new commercial opportunities presented by its peace and economic stability. By the 1960s, Europe accounted for almost 40 percent of total U.S. foreign direct investment. The following decade, the tilt toward Europe became even more pronounced: the region accounted for nearly half the value of American FDI, largely at the expense of Latin America and Canada. In the 1970s, meanwhile, Asia remained among the least favored destinations for U.S. multinationals.

The first half of the 1980s proved an unpropitious time for U.S. multinationals. Courtesy of the 1979 oil shock, the global economy stumbled into recession. After reaching a postwar peak of $13 billion in 1980, U.S. direct investment in Europe plunged to just $3.5 billion in 1982. Investment flows to Canada turned negative in 1981–82 due to that country's adoption of restrictive policies such as the Natural Energy Program, which prompted U.S. companies to sell their existing assets in the politically charged petroleum and mining sectors. Meanwhile, Latin America's debt crisis and subsequent economic recession sharply curtailed U.S. multinational participation in that region.

Across the Pacific, talk of an "Asian miracle," set against debt-ridden Latin America, protectionist Canada, and slumping Europe, inspired a friendlier view of Asia among U.S. firms. As a consequence, cumulative U.S. direct investment in Asia rose 71.5 percent from the previous decade, well ahead of the pace in Europe (64 percent), Latin America (37 percent), and Canada (-13.2 percent). More impressive still was the surge in U.S. investment to the developing nations of Asia, which

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rose to $14 billion in 1980–89 from $6.1 billion in the 1970s. Still, the region attracted only 8.1 percent of total U.S. outflows in the 1980s—less than half the amount invested in trouble-prone Latin America.

Although the 1980s started with a gloomy investment climate for U.S. multinationals, the decade ended on a decidedly different note. In fact, the global investment backdrop at the end of the 1980s and into the 1990s was nearly perfect. Multiple forces—both cyclical and structural—converged to produce one of the most powerful booms in global FDI, with American firms leading the way. Falling telecommunication and transportation costs allowed U.S. firms to broaden the geographic dispersion of their operations. The end of the Cold War opened new markets to U.S. firms, as did the proliferation of regional trading blocs such as the North American Free Trade Agreement, Mercosur (which comprises Argentina, Brazil, Paraguay, and Uruguay), and the common market of the European Union (EU). Moreover, low interest rates and surging equity prices around the world provided copious amounts of cash for global mergers and acquisitions.

All of these developments converged in the 1990s to trigger the most robust wave of U.S. foreign direct investment in history. During that decade alone, U.S. firms invested more capital overseas—$802 billion—than they had in the prior four decades combined. But the geographic preference of U.S. firms did not change, despite all the hype about new markets in central Europe, economic reform in India, privatization in Brazil, and liberalization in mainland China. The developed nations—by a wide margin—remained the biggest recipients of U.S. direct investment.

A number of motives drive the global strategies of U.S. multinationals, but reducing the wage bill tends to be near the bottom of the list. More important are wealthy markets, along with access to skilled labor and technology. These advantages reside in the developed nations, which accounted for two-thirds of total U.S. foreign direct investment during the 1990s. Europe remained the preferred destination, accounting for nearly 55 percent of the total. Canada represented another 8 percent, attracting $2 of U.S. investment for every $1 invested in Mexico during 1994–99. Meanwhile, Asia's total share of U.S. investment during the 1990s (roughly $122 billion) lagged behind other major parts of the world. And even in the Asia-Pacific, the most

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favored location of U.S. multinationals was neither China nor Japan, the two largest markets in the region, but Australia, whose labor force and consumer markets are smaller than those of most U.S. states.

During the 1990s, Australia accounted for more than 20 percent of total U.S. direct investment in the Asia-Pacific region, placing the nation among the top 10 foreign destinations for U.S. companies. Australia's attractiveness may owe to its technological capabilities and its well-educated, English-speaking labor force. On a per capita basis, Australia is one of the world's heaviest users of computers and the Internet and is therefore a prime location for U.S. technology firms. Industry deregulation in the late 1980s and early 1990s was another draw for U.S. investment.

At the other end of the spectrum lies India. Although it is often viewed as one of the most promising emerging markets in Asia, with a massive and cheap labor force, India attracted a mere $1.1 billion of U.S. investment in the 1990s—roughly half the level of U.S. investment in Colombia during the same period. Meanwhile, the so-called crisis economies of South Korea, Thailand, the Philippines, Malaysia, and Indonesia together drew only 3.2 percent of U.S. foreign direct investment. Even in Taiwan, one of the region's hottest economies, U.S. direct investment amounted to less than that in South Africa during the 1990s. By the same token, U.S. multinationals invested more capital in tiny Chile than in massive China over the same time frame.

TUNNEL VISION

While U.S. multinationals were enjoying their best decade ever, developing countries around the world were suffering successive economic crises. In 1995, Mexico fell victim to a currency meltdown. In mid-1997, it was Asia's turn. Russia rolled over the next year, followed by Brazil shortly thereafter. Each traumatic event set off a mad scramble on Wall Street to determine the collateral damage to the United States, using trade linkages as the standard benchmark.

As the Asian crisis unfolded, the flurry of attention surrounding U.S.-Asian trade linkages was understandable. Of the top 15 U.S. export markets in the world, 7 were in Asia. Collectively the region

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accounted for nearly one-third of U.S. exports in the year prior to the crisis, notably higher than the export shares of Europe (22.4 percent) and Latin America (17.8 percent). Using trade as the key variable, then, Asia factored heavily into the U.S. equation. But trade linkages were only half the story—if even that. Viewed from the lens of affiliate sales, the Asian meltdown was significant but hardly fatal to the U.S. economy, given that developing Asia accounted for only about 10 percent of total U.S. affiliate sales.

A trade spat with the EU over bananas and beef risks America's large investment stake in Europe.

In contrast, Europe took credit for more than 50 percent of such sales. The United Kingdom, for example, accounted for $224 billion in U.S. affiliate sales in 1998, versus just $39 billion in goods exports—a ratio of almost 6 to 1. Similarly, in nearly all developed nations, U.S. affiliate sales surpassed exports by a wide margin. Italy, Spain, and Switzerland, for example, do not even appear on the export radar screen, giving the false impression that U.S. commercial links with these countries are insignificant. But in fact, they are substantial when measured by foreign affiliate sales. Thus, when the euro plunged against the dollar in 2000, so did the overseas profits of U.S. multinationals such as Gillette, IBM, Ford, Heinz, and DuPont. And since a shift in exchange rates has a more immediate impact on affiliate sales and income than on trade, these pains were quickly felt by corporate America.

Just as a myopic focus on U.S. exports can distort the true picture of U.S. global competitiveness, so can a singular focus on imports. Many foreign companies compete in the United States the same way U.S. companies compete abroad—through affiliate sales rather than exports. Although American firms adopted FDI-led strategies earlier and more aggressively than did their foreign counterparts, many Japanese and European companies have also begun to prefer affiliate sales over exports as their main approach to foreign markets. According to a 1998 report by the Japanese Ministry for International Trade and Industry, Japan's affiliate sales surpassed its exports for the first time in 1996. The same thing happened in Europe in the late 1980s. By the mid-1990s, affiliate sales of European companies totaled almost $3 trillion, or 1.2 times the value of EU exports.

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For many foreign multinationals such as Reuters, Daimler-Benz, Royal Ahold, and British Petroleum, the answer to globalization was to plow billions of dollars into the United States, the growth champion and technological leader of the world. As Krish Prabhu, chief operating officer of Alcatel, remarked to the *Financial Times* in September 1999, "So much company strategy is driven out of the United States today. No serious player can afford not to have a presence there." Indeed, foreign multinationals pumped nearly $900 billion into the U.S. economy in the 1990s, more than the amount invested over the preceding four decades combined.

In 1998, U.S. imports of goods and services totaled $1.1 trillion. But as impressive as that number is, it falls short of the $1.9 trillion in sales by foreign-owned affiliates in the United States that same year. A fixation on imports ignores the extensive presence of foreign-owned affiliates in the United States, which numbered more than 9,700 at last count. It also overlooks the fact that such affiliates contributed nearly $420 billion in output and employed more than 5.6 million Americans in 1998.

Germany, for example, may not be a significant exporter to the United States, but German affiliates here employed nearly 800,000 Americans and racked up sales of roughly $240 billion in 1998—nearly five times the value of German exports to the United States in the same year. Similarly, import figures suggest that China has greater stakes in the United States than the United Kingdom does. But that is hardly the case, given the latter's deep and long-standing direct-investment ties with the United States. U.S. imports from the United Kingdom totaled only $36 billion in 1998, roughly half the value of that year's imports from China. But affiliate sales of British firms operating in the United States—$192 billion in 1998—greatly exceed those of Chinese firms.

GOODBYE, ADAM SMITH

FOREIGN DIRECT INVESTMENT has changed the face of the international economy. Since the early 1970s, it has grown faster than either world output or global trade and is the single most important source of capital for developing economies.

But America's foreign economic policy still centers on trade at the expense of FDI. A trade spat with the EU over beef and bananas, for

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example, risks America's large investment stake in Europe. And the suggestion of some in Congress to devalue the dollar to promote U.S. exports would only make it more expensive for U.S. affiliates to do business abroad while making it cheaper for foreign companies to buy American assets. An attempt to improve the trade balance, therefore, would actually end up hurting the FDI balance.

Corporate America risks losing out on the best opportunities of the global marketplace if Washington continues to make trade its top priority in the world economy. With China's entry into the World Trade Organization, for example, many observers will carp on the U.S.-China trade imbalance (which recently surpassed the U.S. trade deficit with Japan), even though the real, more substantial penetration of the Chinese market will likely come through direct investment and affiliate sales. In 1998, U.S. affiliate sales in China totaled $14 billion—roughly equal to U.S. exports there. This comparison will only grow in favor of FDI. A continued fixation on trade, however, will divert attention from the more promising opportunities of direct investment in China.

Similarly, America's most significant economic imbalance with Japan is not the headline-grabbing U.S. trade deficit but the stark imbalance of FDI. In 1997, Japan's accumulation of direct investment in the United States was worth $64 billion more than the value of U.S. assets in Japan—a deficit 12 percent greater than the trade gap that year. Thus, in dealing with Japan, the Bush administration should not get bogged down in the all-too-familiar battle over automobile trade. Instead, it should concentrate on opening the Japanese market in service sectors such as health care, insurance, and financial services, where the potential payoffs are greater. In other words, Detroit should not set the tone for U.S.-Japan commercial relations; rather, Washington should work on expanding investment opportunities in Japan for companies such as Yahoo, General Electric Capital, and Charles Schwab. Moreover, the Bush administration should actively promote another round of global trade negotiations, putting the liberalization of services at the top of the agenda.

Looking south of the border, America's widening trade deficit with Mexico appears increasingly formidable. But both policymakers and the media should realize that in 1999, nearly two-thirds of U.S. imports from Mexico counted as "related-party trade"—that is,

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trade between multinational firms and related affiliates. What drives U.S. trade with countries such as Mexico, Canada, and Singapore is the exchange of goods and services within U.S. firms such as IBM, Ford, DuPont, and Motorola. Slamming the door on Mexican imports, then, means slamming the door on corporate America.

U.S. commercial relations with many developing nations are growing more complex as American firms shift from trade-led initiatives to investment-driven strategies. This development should influence how the Bush administration takes up negotiations for the proposed Free Trade Area of the Americas. The initial signs, however, are discouraging. Just when U.S. firms are striving to integrate more developing nations into their global production networks, the Bush administration is proposing broad cuts in the Overseas Private Investment Corporation, which provides insurance and loans to companies investing in developing nations. That proposal must be music to the ears of policymakers in Europe, who are actively promoting their own commercial interests in strategic markets such as China, India, Mexico, and the Mercosur trade group.

In the end, U.S. exports and imports neither represent America's global linkages nor indicate how or where U.S. firms compete. Yet many still view global competition though the 200-year-old eyes of Adam Smith and David Ricardo, who saw trade as the chief form of economic exchange. Others harbor equally archaic mercantilist prejudices, assuming that exports are good while imports are bad. These observers regard a trade deficit as a sign of national weakness, a warning signal that something is amiss. But U.S. global engagement involves far more than just trade. If policymakers continue to interpret a large trade deficit as a loss of global competitiveness or a result of unfair trade practices, protectionist backlash could result, which could trigger retaliations around the globe. Under this scenario, there would be no winners—only losers.

The United States' obsession with its trade deficit belies the fact that corporate America has never been better positioned to compete in the global marketplace. It is time to say goodbye to Adam Smith's outdated framework of global competition and to embrace instead a more complex understanding of America's economic engagement with the world.

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Virtual Defense

James Adams

THE WEAKNESS OF A SUPERPOWER

JUST AS World War I introduced new weaponry and modern combat to the twentieth century, the information age is now revolutionizing warfare for the twenty-first. Around the world, information technology increasingly pervades weapons systems, defense infrastructures, and national economies. As a result, cyberspace has become a new international battlefield. Whereas military victories used to be won through physical confrontations of weapons and soldiers, the information warfare being waged today involves computer sabotage by hackers acting on behalf of private interests or governments. The recent escalation of tension between Israel and the Palestinians, for example, has had a prominent virtual dimension. From October 2000 to January 2001, attacks by both sides took down more than 250 Web sites, and the aggressions spread well beyond the boundaries of the Middle East to the computer networks of foreign companies and groups seen as partisan to the conflict.

A decade after the end of the Cold War, the U.S. military stands as an uncontested superpower in both conventional and nuclear force. Ironically, its overwhelming military superiority and its leading edge in information technology have also made the United States the country most vulnerable to cyber-attack. Other nations know that they have fallen behind in military muscle, so they have begun to look to other methods for bolstering their war-fighting and defense

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JAMES ADAMS is Co-founder and Chairman of iDefense, a cyber-intelligence and risk-management firm, and serves on the National Security Agency Advisory Board. He is the author of *The Next World War: Computers Are the Weapons and the Front Line Is Everywhere.*

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capacities—namely, "asymmetrical warfare," which the Pentagon characterizes as "countering an adversary's strengths by focusing on its weaknesses."

Furthermore, the U.S. military is radically changing. The "revolution in military affairs" seeks to apply new technology, particularly digital information technology, to operational and strategic concepts. With plans ranging from computer-based weapons research programs to software that encrypts classified military data, from computer-guided "smart" bombs to a space-based missile defense, America's military forces are coming to depend more and more on computers and information networks. These two factors—the dominance of U.S. conventional forces and the military's already extensive and growing use of information technology—make cyber-attack an increasingly attractive and effective weapon to use against the United States.

But U.S. defense plans and policymakers' concept of national security have not caught up to the new threats of computer warfare. Indeed, recent warnings indicate that the United States remains highly vulnerable. To address this challenge, Washington urgently needs to modernize its thinking and transcend its strategies of deterrence and national security, which remain fixed in the Cold War, pre-Internet world.

MOONLIGHT MAYHEM

In March 1998, the Department of Defense detected the most persistent and serious computer attack against the United States to date. In a still ongoing operation that American investigators have code-named Moonlight Maze, a group of hackers has used sophisticated tools to break into hundreds of computer networks at NASA, the Pentagon, and other government agencies, as well as private universities and research laboratories. These cyber-intruders have stolen thousands of files containing technical research, contracts, encryption techniques, and unclassified but essential data relating to the Pentagon's war-planning systems.

Since Moonlight Maze was first discovered, the U.S. intelligence community has been engaged in the largest cyber-intelligence investigation ever. But more than three years of work have produced

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disturbingly few clues. The attacks appear to be coming from seven Russian Internet addresses, but it is unclear whether the initiative is state-sponsored. Last year, Washington issued a démarche to the Russian government and provided Russian officials with the telephone numbers from which the attacks appeared to be originating. Moscow said the numbers were inoperative and denied any prior knowledge of the attacks.

Meanwhile, the assault has continued unabated. The hackers have built "back doors" through which they can re-enter the infiltrated systems at will and steal further data; they have also left behind tools that reroute specific network traffic through Russia. Despite all the investigative effort, the United States still does not know who is behind the attacks, what additional information has been taken and why, to what extent the public and private sectors have been penetrated, and what else has been left behind that could still damage the vulnerable networks.

Destructive as it is, Moonlight Maze is just a taste of dangers to come. U.S. military leaders increasingly recognize that losing information battles will undermine the country's ability to fight any battles at all. Missile defense, for example, will not be worth the billions it will cost if digital attacks undermine its software or infrastructure. And opponents of missile defense could handicap the system at the development stage by attacking the technology at its source—breaking into the computer networks of the corporations that design the system and making slight modifications that ensure huge costs and long delays.

The U.S. military's vulnerability to cyber-attack became clear in June 1997, when the Joint Chiefs of Staff launched an exercise codenamed Eligible Receiver to test the nation's computer defenses. Their scenario imagined a military crisis on the Korean Peninsula that forced Washington to rapidly bolster South Korean forces with troops and aircraft. Thirty-five men and women from the National Security Agency (NSA) were split into four teams, three in the United States and one on a ship in the Pacific, to simulate hackers hired by North Korea to subvert the American operation. These hackers received no advance intelligence about U.S. information networks and could use only publicly available equipment and information. Even though they were not allowed to break U.S. law, they could use

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any computer hacking programs they could find freely available on the Internet. (Some 30,000 Web sites post hacker codes, which can be downloaded to break passwords, crash systems, and steal data.)

Over the course of the next two weeks, the teams used the commercial computers and hacking programs they downloaded from the Internet to simultaneously break into the power grids of nine American cities and crack their 911 emergency systems. This exercise proved that genuine hackers with malicious intent could, with a couple of keystrokes, have turned off these cities' power and prevented the local emergency services from responding to the crisis.

U.S. taxpayers are paying billions of dollars for a cyber-defense program that leaves the country largely unprotected.

Having ensured civilian chaos and distracted Washington, the NSA agents then attacked 41,000 of the Pentagon's 100,000 computer networks and got in to 36. Only two of the attacks were detected and reported. The agents were thus able to roam freely across the networks, sowing destruction and distrust wherever they went. They could, for example, have sent truck headlights to an F-16 fighter squadron requesting missiles or rerouted aircraft fuel to a port rather than an air base. The hackers also managed to infect the human command-and-control system with a paralyzing level of mistrust. Orders that appeared to come from a commanding general were fake, as were bogus news reports on the crisis and instructions from the civilian command authorities. As a result, nobody in the chain of command, from the president on down, could believe anything. This group of hackers using publicly available resources was able to prevent the United States from waging war effectively.

In October 1999, a second exercise, code-named Zenith Star, tested the lessons learned from Eligible Receiver. On this occasion, the "hackers" attacked the power systems feeding several U.S. military bases and then overwhelmed local 911 emergency systems with a flood of computer-generated calls. The test showed that some improvement had occurred since Eligible Receiver, but coordination between government agencies was still poor and the national infrastructure remained vulnerable to attack.

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The potential nightmares of Eligible Receiver and Zenith Star, as well as the real and ongoing Moonlight Maze sabotage, are visible signs of a new war already being waged in cyberspace. This war is largely hidden from public view but the infrastructure protection it requires is costing the private sector and the U.S. taxpayer billions of dollars. And thus far, the war is operating in an environment of near chaos. Unlike during the Cold War, when the nuclear standoff produced its own understandable rules of the game that included a sophisticated deterrence mechanism, no legal or de facto boundaries inhibit cyber-aggressions. Instead, information warfare is a free-for-all, with more and more players hurrying to join the scrimmage.

WAR BY OTHER MEANS

THE U.S. GOVERNMENT now believes that more than 30 nations have developed aggressive computer-warfare programs. The list includes Russia and China, volatile governments such as Iran and Iraq, and U.S. allies such as Israel and France. Ambitious newcomers, including India and Brazil, are also seeking to become powers in the world of virtual combat.

Americans celebrated the Persian Gulf War as a major victory for U.S. military forces and as a vindication of the nation's defense structure. But outside the United States, the conflict taught an additional lesson: a direct military confrontation with the United States would inevitably result in defeat. So while the United States has continued to develop its conventional forces (the Pentagon's defense budget is now larger than those of the 12 next largest nations combined), other countries have looked elsewhere for an asymmetric advantage. "The rest of the world realizes that you don't take the United States on in a military frontal sense, but you can probably bring it down or cause severe damage in a more oblique way," asserts Art Money, assistant secretary of defense for command, control, and intelligence. "And that's where the vulnerability in the United States resides."

One country that American intelligence has been closely monitoring is China, which is actively exploring the possibilities raised by this new American vulnerability. Because Beijing sees the United States as its principal antagonist in the twenty-first century, Chinese military

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leaders and policymakers have made an intensive effort to apply the lessons learned from the Persian Gulf War's show of American military might. The heated Chinese debate about how to seize a military advantage over the United States produced a partial answer in *Unrestricted Warfare,* written by two People's Liberation Army (PLA) colonels, Qiao Liang and Wang Xiangsui. The book clearly sets out why China considers the Gulf War to have been the last hurrah for the old-style warrior.

> [T]he age of technological integration and globalization ... has realigned the relationship of weapons to war. ... Does a single "hacker" attack count as a hostile act or not? Can using financial instruments to destroy a country's economy be seen as a battle? Did CNN's broadcast of an exposed corpse of a U.S. soldier in the streets of Mogadishu shake the determination of the Americans to act as the world's policeman, thereby altering the world's strategic situation? ... When we suddenly realize that all these non-war actions may be the new factors constituting future warfare, we have to come up with a new name for this new form of war: Warfare which transcends all boundaries and limits—in short, unrestricted warfare.

The authors believe that China will never be able to match American technological superiority. Moreover, having watched Moscow spend itself into oblivion trying to win the Cold War arms race, Beijing will seek to avoid the same mistake. Instead, the authors write, a digital attack will give China a significant asymmetric advantage and even bring about the defeat of the United States. China has therefore been making large investments in new technology for the PLA and has established a special information-warfare group to coordinate national offense and defense. China-watchers in the Pentagon refer to these efforts as the creation of "the Great Firewall of China."

Part of the reason for such aggressive action is that China suspects that it is already under cyber-attack from the United States. Every piece of computer hardware or software imported from the United States or its allies is subject to detailed inspection when it arrives at the border. China's own technicians then take control of the goods and either resist or closely monitor Western experts' efforts to install the equipment themselves.

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The same restrictions apply in Russia, where political and military leaders are convinced that they are losing the cyberspace war to the United States. For the past two years, Moscow has quietly circulated among the members of the U.N. Security Council drafts of a possible arms-control treaty for cyberspace. The United States and its allies have dismissed the proposals as the desperate posturing of a nation with a weak information economy that is losing the cyber-war. Indeed, from the perspective of information-technology powers such as the United States, an arms control treaty that will primarily benefit those nations falling behind in the information war makes no sense.

NATIONAL INSECURITY

ALTHOUGH MOSCOW'S idea of an international treaty to limit information warfare may seem far-fetched, the concept of an effective deterrence regime for cyberspace is gaining currency in Washington. As the information revolution gathers pace, so do the frequency and sophistication of the attacks on U.S. computer and communications networks. And these attacks have made glaringly clear two dangerous changes in U.S. military and national security structures.

First, during the Cold War, Washington controlled the pace of U.S. technology development by directly funding approximately 70 percent of technology research. Today, that figure is less than 5 percent. Technological innovation is now driven by private interests that refuse to depend on Washington's archaic acquisition systems. Instead, technology entrepreneurs strive incessantly to increase the speed of change.

That shift from public to private funding has been matched by the development of a new weapons platform known as the personal computer. The ammunition for this weapon—the hacking tools—come free on the Web and are constantly being updated. One needs only access to a computer, Internet capabilities, and a little bit of technical savvy to become an information warrior. And unlike twentieth-century weapons innovations that took an average of 15 years to enter military service, today's newest versions of computers and software are available everywhere and accessible to everyone at the same time.

Second, the front line in this new war has changed. In the last century, the crucial battlefront was generally seen as the place where

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soldiers, sailors, and aviators met in combat. For the United States, with no aggressive neighbors on its borders, defense of the homeland meant projecting power overseas when U.S. interests were endangered. This strategy has worked well since the nation was founded; unlike most modern great powers, the United States has rarely been invaded by foreign forces.

The cyber-world has changed that paradigm. Seeking to avoid a direct military confrontation with U.S. forces, potential foreign aggressors now look instead to attack the soft American underbelly—the private sector—and to do so in such a way as to make military retaliation very difficult, either because the attack's origin is unknown or because the perpetrators have sabotaged civilian or military command networks. The private and public sectors together now form the front line of twenty-first-century warfare, and private citizens are the likely first target.

Computer hackers can attack U.S. computer networks with impunity.

Despite the warning signs, the United States still does not prioritize threats to the private sector or sufficiently emphasize cooperation between citizens and government in defense. In many cases, Washington remains legally constrained from passing on information about potential threats to the private sector. For example, intelligence officials now believe that certain hardware and software imported from Russia, China, Israel, India, and France are infected with devices that can read data or destroy systems. The names of the suspected companies and products are not available to the private sector, however, and because that information and the intelligence that supports it are so highly classified, the suspicions are impossible to verify.

In addition, the U.S. defense posture, which is designed around power projection and not homeland defense, leaves the country's information and communications networks vulnerable. Currently no mechanism exists for effective defense of the computer networks of businesses, the power grids of American cities, or even the information networks of the federal government. Indeed, cyber-defense is left to the FBI, a law-enforcement agency meant to pursue criminals, not defend the nation. Thus far, the FBI's efforts to coordinate cyber-defense have been hampered by a lack of technological skills and resources.

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The bureau has supposedly been coordinating the sharing of information across public and private sectors but has in fact focused on its traditional role of law enforcement.

The Clinton administration's response to these challenges was fragmented and disorganized. Leadership in cyber-warfare was supposed to come from the National Security Council (NSC), but not enough materialized. Relations between the FBI and the NSC were tense, and those between the NSC and the Pentagon even worse, with officials refusing even to speak with one another. And cooperation among the military services remains weak, despite efforts to put all computer warfare under a single entity, the U.S. Space Command. Every service has developed its own information-warfare capability at huge cost and with significant duplication of effort. Similarly, the CIA, the Defense Intelligence Agency, and the NSA have each undertaken independent information-warfare efforts, with little cooperation between them.

GETTING TOUGH

After World War II, the detonation of two nuclear bombs over Japan frightened the world enough to provoke a ferment of activity inside the world's governments and the academic community—leading in time to the development of a nuclear deterrent strategy. The world knew that a nuclear attack against the United States or one of its allies, or against the Soviet Union or a Soviet ally, would provoke instant nuclear retaliation. Defense planners later applied this strategy of deterrence through the threat of mutually assured destruction to chemical and biological weapons as well. During the Gulf War, for example, Saddam Hussein recognized that if he used chemical or biological weapons, he could expect a devastating, if unspecified, response.

But with no U.S. strategy for deterrence in the virtual world and no clear thinking about a legal regime for retaliation against cyber-attack, potential hackers can battle the United States with impunity. Consider what happened in May 2000, when a hacker in the Philippines launched the "Love Letter" virus around the world. In the United States, the Veterans Health Administration received 7 million "I Love You" messages, 1,000 files were damaged at NASA, and recovery

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from the attack at the Department of Labor required more than 1,600 employee hours and 1,200 contractor hours. Estimates of the cost of the attack to the United States range from $4 billion to $15 billion—or the equivalent, in conventional war terms, of the carpet-bombing of a small American city. Yet Washington did nothing to prosecute the hacker or to recover damages. Although the hacker was arrested, he was later released because Philippine law is not designed to prosecute such crimes.

MEDICINE FOR THE VIRUS

THE PROBLEMS in the current U.S. defense system and national security paradigm are easy to identify. But remedying those problems by creating an effective defense and deterrent will be much more difficult. Bringing order to the new frontier of information warfare will require a robust strategy and sound tactics.

First and foremost, primary responsibility for the cyber-defense of the nation must be given to the Department of Defense. The NSC has failed to lead the battle in computer warfare, in part because it has lacked the financial and military muscle to do so. In Washington's bureaucratic maze, where departments and agencies vie for money, the cyber-threat has often been seen as just another excuse to win additional funding to take on the task of network defense. Because it lacks bureaucratic punch, the NSC's warnings about cyber-threats to national security have gone largely unheeded.

The FBI, which has the training and resources to investigate and apprehend hackers, can play a crucial role in fighting cyber-crime, but it should not coordinate the battle. The bureau has a reputation for not sharing information with other government departments, and its initiative to promote communication between government and the private sector has produced disappointing results. The FBI officials in charge of that project argue that the bureau itself remains uncommitted to the cyber-defense role and has not allocated the necessary people, money, and technology to cyber-defense.

Certainly, there are some doubts about the wisdom of giving the Pentagon the information-defense mandate. Foreign enemies of the United States face U.S. military services that are authorized to

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protect and defend the nation, whereas American citizens enjoy civil rights that domestic law-enforcement agencies such as the FBI must observe. So lawmakers and civil libertarians are understandably nervous about extending the military's powers to the homeland. But the United States has two underused assets at its disposal that will allow it to avoid this contentious move: the military reserves and the National Guard. These groups already have the technology skills needed to run an effective information defense, because their personnel are also integrated into the technology-driven private sector. Homeland defense, coordinated by the Pentagon and using the National Guard and the reserves, is the way to protect America's information networks.

The Pentagon has the resources to lead information defense but has been reluctant to take on this mission. To assume this additional role now would require realigning Defense Department priorities and reallocating resources from traditional power projection abroad to homeland defense. But national defense is the Pentagon's business. And in the information age, national defense must include cyber-defense.

In order for defense planners to coordinate a strategy for cyberspace, the definitions of national security and the appropriate methods of managing it need to be redefined. "National security" has always meant protecting the nation's borders from foreign attack, and the perceived national interest has often led to the projection of U.S. military power overseas to protect the homeland. But as the Chinese clearly understand, future war is no longer going to focus on borders and territorial disputes. In addition, previously it was defeat on the battlefield that decided the outcome of a conflict, and any wartime attacks on a country's private sector primarily targeted its industrial complex. In cyberspace, however, the asymmetric advantage goes to whoever understands that a successful computer attack against privately owned information networks is just as effective a weapon as military force. This is an uncomfortable concept for both military and political leaders to grasp, because it requires, first, acknowledging that the barriers between the public and private sectors have eroded and, second, embracing innovative strategies that take the private sector's new technological skills and vulnerability into account.

Furthermore, effective defense means deterring attacks before they occur. The threat of retaliation is a good preventive strategy. Every

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nation already understands the consequences of using weapons of mass destruction against the United States. Washington must similarly put the world on notice that it will consider a cyber-attack against any U.S. entity an act of war that will generate an appropriate response. It must also make clear that the United States does not distinguish between methods of attack; whether struck by a bomb or a computer virus, it cares only about the effect.

But acts of aggression against U.S. information networks will occur, and guidelines for responding need to be developed. As Washington has learned from Moonlight Maze, pinning the blame on a specific group or nation is tough. Many nations faced similar challenges from terrorism in the late 1960s and early 1970s, when they suffered from a critical shortage of intelligence, little cooperation between governments, and no defensive capability, either civilian or military, to protect against the new phenomenon of transnational terrorism. By the mid-1980s, however, intelligence had improved dramatically, nations were cooperating more, and defensive measures had been put in place. The result was the containment of the terrorism problem, although it will never be fully eliminated. The same parallels apply in cyberspace.

If the United States is to respond effectively to cyber-attack, it must first know who is responsible for the aggression. Finding criminals who act through computer networks is a tough challenge, since attacks in cyberspace can come from multiple points simultaneously, with their origins disguised. For example, in February 1998, while tensions were mounting once again with Iraq, the Pentagon discovered a sophisticated set of intrusions into a number of Defense Department information systems. These attacks, code-named Solar Sunrise, seemed designed to gather intelligence on U.S. plans for actions in Iraq and disrupt command-and-control and logistics systems. The hacks were assumed to have been organized by Iraq, and their origin was traced to Abu Dhabi. A strike force was sent to that Gulf state and, after receiving permission from its government, entered what was thought to be the building where the Iraqi computer team was hiding. In fact, the building housed not Iraqis but computer servers; the attacks were not ordered by Baghdad, and Abu Dhabi was simply a false trail laid by the hackers. Shortly afterward, two teenagers in California were arrested. It turned out

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that they and an Israeli hacker had launched Solar Sunrise, and their motivation had nothing to do with Iraq.

U.S. policymakers must also resolve the legal and moral questions surrounding retaliation in information warfare. The legal principle of proportionality applies to issues of national sovereignty—a nation has every right to use force to defend itself against territorial incursion. But there is no clear understanding of how or whether proportionality should apply to information warfare, which involves civilian populations to a greater extent than does traditional war. If China launched a network attack to turn off the power in Chicago in midwinter, killing large numbers of the city's residents, would the United States be justified in using remote systems to raise the gates of a dam in China and kill the Chinese living in the valley below? Is responding to a cyber-attack with conventional force legally, morally, or politically acceptable? These difficult questions have so far frustrated computer warriors and lawyers alike.

Information attacks are the new terrorism of the twenty-first century.

In such a confused environment, the intelligence agencies must improve their sources and methods. They will have to develop new means of infiltrating private or government-sponsored groups that wage war in cyberspace. The CIA targets parties hostile to the United States and develops covert operations to counter them—and the same methods must be employed against those who choose computer networks as their battlefield.

Complicating the intelligence agencies' task of finding computer attackers is the fact that hackers can use many different routes, so that an attack that seems to come from London has actually originated in Brazil and traveled to the United States via Moscow and Antwerp. Tracing an e-mail virus back to its source, for example, requires individual authorization from every jurisdiction through which it has traveled. This time-consuming job restricts the ability of law enforcement to arrest an attacker and of the Pentagon to retaliate. Congress should pass new legislation that will allow the tracking of intrusions through the Internet. Further legislation is needed to allow law-enforcement agents to infiltrate computer networks when tracking a cyber-criminal, just as they can tap telephone lines. If a national

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security priority can be shown, such taps could be allowed by law. Congress already has the authority to pass some such legislation—indeed, the intelligence community is authorized to gather information from foreign computer networks. But for Congress to acquire the necessary legal license and political leeway to pass comprehensive and effective measures, the cooperation of other governments is required.

During the Cold War, U.S. and foreign policymakers appropriately recognized that an armed conflict could threaten access to vital oil supplies. Washington managed the problem by positioning supplies in areas of risk, developing a rapid deployment force, and forming international alliances. In the event of a conflict, American and allied forces could be rapidly deployed to protect the oil supplies, as happened before the Gulf War. The same solutions are relevant in a world where computer attacks could cut American access to an equally vital economic fuel: computer networks. Although the United States has developed some effective cyber-weapons that can destroy an enemy's computer network or interrupt a nation's fuel and water supplies, there is disagreement about when and how they can be used.

These questions must be sorted out inside the United States to avoid the kind of confusion that emerged in Bosnia. There, the military wanted to unleash some information attacks against the Bosnian Serbs, but officials in the Justice Department expressed real concern about whether such attacks were legal. Coordination with U.S. allies is also necessary to share information on the threat and what can be done to overcome it. During the Cold War, the United States and its allies developed an effective early warning system to detect and track the launch of nuclear missiles, which could reach their targets within minutes. Similarly, a hacking technique or e-mail virus developed in Europe can hit the United States a few minutes later. But as of yet, there is no effective warning against cyber-attacks.

Another gap in U.S. information defense concerns the several countries with offensive information-warfare programs that use private companies as a cover for planting malicious code in seemingly benign computer software. For example, India or Israel may sell a software solution to a U.S. government agency that has a virus embedded within it. Currently, there is no way of comparing a specific piece of software to other commercially available products to

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check for any discrepancy in the source code. Developing the technological means to vet software codes should be a priority for both the public and the private sectors. The president could assign this task to the National Science Foundation. At the same time, foreign companies need to understand that if malicious code is found in their products, there will be an economic price to pay, such as an import ban. Such a threat would swiftly persuade foreign companies that cooperating with their governments in waging computer warfare is not in their best economic interests.

BRAVING THE NEW WORLD

EVEN IF Washington takes steps to create, guide, and direct a coherent strategy to combat the cyber-threats to national security, effective defense will work only in cooperation with the private sector. A new partnership must be forged between policymakers and the high-tech community, which generally has better intelligence about information-network threats than does the government. U.S. network vulnerability is a shared problem, and there must be a shared solution.

The Bush administration has an opportunity to redefine the national security environment. The threat of cyber-attack demands leadership and creative thinking that will produce new solutions. If the administration remains stuck in the outdated, Cold War paradigm of conflict, U.S. status as a military superpower will be jeopardized by the new players of the cyber-world. The United States must neutralize the asymmetric advantage of waging virtual war.

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Reviews & Responses

CORBIS-BETTMANN

Remains from a mass grave, Nyarimbo, Rwanda, April 2000

Despite thousands of pages devoted to the Rwandan genocide, we still do not have a good answer to the basic question: Why?

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Review Essay

Despotism in Brussels?

Misreading the European Union

Andrew Moravcsik

Democracy in Europe. BY LARRY SIEDENTOP. New York: Columbia University Press, 2001, 272 pp. $27.50.

The process of European integration that has produced the European Union (EU) is the most ambitious and most successful example of peaceful international cooperation in world history. In the last half-century, Europe has liberalized trade, coordinated macroeconomic policies, and centralized regulatory decision-making. The single market and single currency mean that most new western European laws and regulations covering commercial and financial matters now originate in Brussels rather than in national capitals. A majority of Europe's leaders, businesspeople, and citizens believe the EU has contributed to the spread of unprecedented prosperity, peace, and democracy throughout the region.

But Larry Siedentop, an American-born lecturer on political philosophy at Oxford University, believes that all is not well in Brussels. In *Democracy in Europe,* he argues that the specter of "bureaucratic despotism" haunts the continent. "The rapid accumulation of power in Brussels," he warns, is transforming the EU into a centralized "tyranny." Economic liberalization has produced an ironic consequence: the triumph of the French *dirigiste* model of a centralized, autonomous state bureaucracy. The EU is becoming an alien "government of strangers" imposed from a remote capital—akin to an early-modern absolutist state. Regulation by the Brussels bureaucracy erodes local self-government and corrupts individual Europeans by breeding "fear, sycophancy, and resentment" in place of traditional civic virtues such as

ANDREW MORAVCSIK is Professor of Government and Director of the European Union Center at Harvard University. He is the author of *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht.*

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"emulation, self-reliance, and humility." If nothing is done to reverse the trend, European citizens will rise up against the EU in war or revolution. In sum, "the prospects for Europe are bleaker than they have been since 1945."

Only one solution, Siedentop maintains, can now save Europeans from the tyranny that befell their seventeenth- and eighteenth-century forebears: a written federal constitution that unambiguously defines the rights and responsibilities of the EU and of national and local governments. This constitution must eschew existing European models and take its cue from eighteenth-century America—James Madison's "compound republic"—with its complex separation of powers, split both horizontally (among branches of the EU) and vertically (among Brussels, the member states, and subnational bodies such as regional governments). But no pan-European constitutional debate has yet taken place, Siedentop complains, because the "triumph of economic language" has "impoverished" political discourse among European elites. Where, he asks repeatedly, are Europe's Madisons?

European constitutional construction will not be an easy task, Siedentop argues, for stable federal institutions rest on three shared cultural elements. The first is a common religion; a federal Europe must therefore be Christian. The second is formal designation of a common language, which can only be English. And the third is a shared legal culture, for which Siedentop recommends, somewhat vaguely, that the European constitution draw on the British common-law tradition that strengthens local elite politics and respect for lawyers and legal culture. A European federal constitution grounded in these values and finding institutional expression in a pan-European "senate" elected indirectly by national governments, Siedentop concludes, would create a transnational "political class" committed to the jealous defense of local self-government against the "new Leviathan." Europe would be saved from itself.

NO HEIR TO TOCQUEVILLE

Siedentop's book is titled *Democracy in Europe* because he takes Alexis de Tocqueville's eponymous classic as his explicit model. Siedentop begins with a nostalgic glance at the constitutional convention at Philadelphia in 1787, followed by an admiring recollection of how Tocqueville—of whom he is a biographer—illuminated the foundations of the young republic. The rest of the book boldly applies the Frenchman's theory of American politics in the 1830s to contemporary Europe, with no concession at all to the intervening 170 years and oceanic leap.

The parallel is intriguing. Tocqueville came to America convinced that the major political challenge of his age was to discover how a stable republic could be created on a scale larger than a city-state. In the United States he found an answer: the dispersion and devolution of political power through a written constitution, the rule of law, and federal decentralization. These formal institutions, Tocqueville believed, rested in turn on slowly evolving cultural predispositions for self-government, intermediate associations, respect for the law and lawyers, and Christian charity. This cultural and institutional view of modern democratic stability, Siedentop notes, was "bound, sooner or later, to suggest a possible

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model for European federal union." *Democracy in Europe* takes up the challenge.

Since Siedentop's book appeared in the United Kingdom last year, it has enraptured the country's normally understated critics. Journalists herald it as "the subtlest and most sophisticated book on the EU" and "a book for every chancellery across our continent." But is Siedentop really the Tocqueville of European integration? Should readers on the American side of the Atlantic, where *Democracy in Europe* is now appearing, look to it as a guide to Europe's future?

The answer to both questions is no. Tocqueville's *Democracy in America* is an enduring classic because it combines sharp and sympathetic empirical observations with a profound and prescient theory of modern politics. *Democracy in Europe* offers neither. Instead Siedentop mixes an unsympathetic, often simply inaccurate description of European integration with a doctrinaire application of sociological and philosophical dogmas two centuries old. His engaging prose and enthusiasm for political philosophy mask a remarkable neglect of the historical record, the true nature of current European institutions, and current debates over European constitutionalism—all of which belie his claims. In the end, *Democracy in Europe* tells the reader much about the curiously persistent insularity of many Anglo-American commentators on Europe—with whom Siedentop shares more than he admits—and very little about the future of the region.

A NEW FRENCH EMPIRE?

Among the fundamental misunderstandings of European integration that underlie *Democracy in Europe,* three stand out. The first involves the history of the EU. Siedentop advances the peculiar claim that the EU is a French scheme. The French government, he believes, speaks the language of European federalism, but its underlying ambitions are no different from those of Louis XIV and Napoleon—namely, to dominate Europe politically and propagate the French administrative state across the continent. He points out, correctly, that one major EU initiative, the Common Agricultural Policy (CAP), has long benefited French farmers. He also asserts, incorrectly, that the French government suddenly embraced monetary union and federal ideology in response to German unification in 1989–90. These two facts, one true and one largely false, are hardly enough to sustain such an idiosyncratic interpretation of the history of the European project.

Siedentop relies instead on nineteenth-century diplomatic and intellectual prejudices, specifically the traditional British distrust of France's geopolitical pretensions on the continent, and the doctrine—last seriously advanced by Montesquieu, Hegel, and Carlyle—that great nations and great politicians disseminate distinctive, world-historical political ideals. There is more than a whiff of Oxford "high-table history" in this combination of quaint notions. It recalls the mid-1950s assessments of European integration by British elites, who viewed European unity as either a French geopolitical gambit or an idealist aberration. These mistaken beliefs resulted in the United Kingdom's exclusion from the continent for decades—misjudgments that leaders of the period such as Anthony Eden, foreign secretary in 1951–55 and prime minister in 1955–57, soon regretted.

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Certainly this fanciful account of European integration has little in common with mainstream contemporary analyses (which Siedentop's bibliography pointedly, sometimes disdainfully, excludes). Most scholars today view the EU as a series of pragmatic responses to economic and geopolitical interdependence, influenced by all three of its most important member states (France, Germany, and the United Kingdom). France, to be sure, won big with the CAP and the use of French as one of the two de facto working languages in Brussels. Yet the EU's quasi-federal structure, as well as its substantive emphasis on free trade, antitrust policy, high agricultural prices, and an independent central bank, stemmed from German proposals, and its most recent emphases on economic deregulation and a defense policy compatible with NATO owe much to British initiatives. The EU's institutions—the European Commission, Court of Justice, Parliament, and Council of Ministers—do not reflect the philosophical ideals of any single national political culture but are instead pragmatic institutions designed to resolve disputes when special interests press for exceptions from free-trade rules and common regulatory standards. In this regard, the EU is much like the World Trade Organization (WTO), the North American Free Trade Agreement, or any other international institution.

EUROPE FOR PHILOSOPHERS

Even more curious than Siedentop's understanding of the EU's origins is his neglect of the fundamental institutional reason why European governments can and will continue to successfully resist centralization. The EU is hardly a nation-state, but it has in the 1957 Treaty of Rome—which founded the European Economic Community—a de facto federal constitution and a distinctive culture of constitutional deliberation around it. This document plays the role of a constitution in the straightforward sense that it establishes a stable, overarching structure of political authority in Europe. Its often-amended provisions define an enduring separation of power between Brussels and national governments; set forth ongoing procedures for EU legislation, adjudication, and implementation; prescribe the rights and duties of individual citizens; and assure compliance with EU rules.

Siedentop seems not to have noticed that the constitutional structure of Europe—taking the EU and the national systems together—already resembles the American federal model that he would impose on it. Vertical and horizontal separation of powers checks activism. National governments enjoy a monopoly on policymaking in many areas, primary responsibility for implementation, critical veto rights or requirements for majorities larger than 50 percent, control over federal legislation, and the power to block constitutional change. De facto bicameralism offers a strong counterweight to any potential centralization of power. Although the European Court of Justice (the EU's "supreme court") tends toward judicial activism, ultimate legal implementation occurs almost entirely through national courts—an even more decentralized system than the parallel state and federal legal order of the United States.

It is important to note that this decentralized form of European federalism is not based, implicitly or explicitly, on the narrow cultural values Siedentop believes necessary to stabilize federalism—religion,

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language, and respect for local lawyers. Like most modern polities, the EU rests instead on pragmatic political practices consensually accepted by overlapping cultural and political groups. The true pillars of the EU—economic welfare, human rights, liberal democracy, and the rule of law—appeal to Europeans regardless of national or political identity. The resulting institution is stable not because it is culturally coherent, but because it serves the complex, increasingly interwoven interests of citizens in interdependent, advanced industrial democracies. No significant group in any member state favors withdrawal from this arrangement. Siedentop's conception of stable federalism is both dated and parochially American; the EU's success and durability prove that alternative conceptions are possible.

Only an intellectual historian concerned more with philosophical consistency than with practical consequences would counsel European governments to risk their successful postmodern, multinational experiment in order to impose the cultural values of eighteenth-century America. The EU's constitutional mandate changes through evolution, not revolution. Indeed, a 2005 constitutional conference of national governments, at which modifications to the Treaty of Rome must be unanimously ratified, is almost certain to implement only modest changes or simply give old policies new names. It might slightly expand the role of national parliaments and regional governments, although a similar German proposal enjoys only weak support today. Yet no intergovernmental consensus for radical change exists. In this atmosphere of moderation, Siedentop's proposals to adopt English as the EU language or Christianity as the EU religion are superfluous if not subversive.

Siedentop's views might be less strikingly out of tune with current policy had he not entirely ignored contemporary political debates. The reader of *Democracy in Europe* remains unaware of the intense and quite sophisticated evaluations of the prospects for EU democracy that Europe's leading public intellectuals, journalists, and politicians have been offering for more than a decade. Jürgen Habermas, Alain Minc, Anthony Giddens, Joseph Weiler, and Timothy Garton Ash head the list of hundreds of scholars debating the relationship of European culture to the legitimacy of its constitutional structure. The elite European press—from *Die Zeit* to the *Economist* to *Le Monde*—devote entire sections to the precise provisions of a European constitution. National constitutional courts, most recently in Germany, have implanted the issue of European political union at the heart of national legal debates. Referendums on the 1991 Maastricht Treaty in Denmark, France, and Ireland have sparked widespread, if somewhat demagogic, public deliberation. Most important, one is hard-pressed to find a major European politician who has not advanced a detailed proposal for European constitutional order. In the past two years alone, Prime Ministers Tony Blair of the United Kingdom and José-María Aznar of Spain, French President Jacques Chirac, German Foreign Minister Joschka Fischer, former Italian Premier Giuliano Amato, and European Commission President Romano Prodi have all laid out their visions for Europe. Siedentop not only fails to engage this raging debate, he explicitly denies its existence.

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The issues in this debate transcend Siedentop's simple dichotomy between despotism and federalism. Is the "multilevel" federal structure in Europe—insulated EU policymaking in economics and direct national democracy in social, cultural, and political affairs—stable and desirable? Many social democrats contend that the modest level of popular participation in EU decision-making undermines legitimate European social protection. But defenders of the arrangement cite the widely recognized need to insulate certain political institutions—notably constitutional courts, central banks, antitrust prosecutors, foreign trade negotiators, and environmental agencies—from powerful (and often protectionist) special interests. Some commentators also question whether the emerging "multispeed" Europe, in which countries move ahead at different speeds on different issues, can make integration acceptable to the many different European nations. Can international organizations such as the EU be legitimated solely through economic benefits and a common liberal commitment to democracy, the rule of law, and social welfare provisions, or is more needed? Given the general decline in active citizenship across Western societies, what new, transnational forms of citizen participation can Europe devise? Siedentop is right to raise the issue of democratic legitimacy in the EU, but his eighteenth-century authorities have little to say about these distinctive twenty-first-century policy dilemmas.

WHO'S IN CHARGE HERE?

Siedentop's most fundamental error—one he shares with many in the European debate—is his assumption that the EU is a nation-state in the making and therefore ought to be held to the same democratic standards as its member states. Siedentop takes this assumption to its extreme. Any official, businessperson, journalist, or scholar who has spent time in Brussels would be astonished to read that the EU engages in "bureaucratic despotism" constructed on the basis of the "unreformed model of the French state." Here again, Siedentop provides almost no concrete justification for his arguments beyond a few dark allusions to the alleged power of Brussels bureaucrats to regulate the shapes of products such as sausages.

The EU bureaucracy is in fact tiny, leaderless, tightly constrained by national governments, and almost devoid of the power to tax, spend, or coerce. Indeed, the EU lacks nearly every characteristic that grants a modern European state (let alone the modern, *dirigiste* French state) its authority. Of the 20,000 employees of the European Commission, the EU's permanent bureaucracy, only about 2,500 have any decision-making capacity, the rest being translators and clerical workers. The commission thus employs fewer officials than any moderately sized European city and less than one percent of the number employed by the French state alone. Implementation of EU rules necessarily falls to national officials.

Sheer numbers would be unimportant, of course, if these Brussels bureaucrats were all-powerful, but executive power in the EU is so weak and diffuse that analysts cannot even agree where it resides, if anywhere. The commission enjoys some control over the legislative agenda, but new laws must also secure more than 71 percent of weighted national-government

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votes—a larger proportion than that required to amend the American Constitution. National minorities with substantial influence therefore enjoy exceptional power to block unwanted legislation. New policies, major institutional changes, and budgetary matters generally require absolute unanimity. Moreover, the commission's legislative initiative on issues where greater public involvement is customary—say, environmental regulation, consumer protection, and executive appointments—is in practice falling to the directly elected European Parliament, which must give final assent to such legislation. Finally, the few areas of genuinely independent EU activity—such as constitutional adjudication, central banking, multilateral trade negotiations, and antitrust enforcement—are precisely those excluded from direct democratic control in most national polities, to allow the smooth and fair functioning of government.

The EU's power to tax and spend has long been capped at about two percent of what the national governments of its member states spend—a provision that can be altered only by unanimous approval of those members. Spending by the EU is dedicated largely to nondiscretionary expenditures subject to national veto. Furthermore, Brussels has no police force, military, or intelligence agency of any kind. Even if the most optimistic proponents of European defense get their way—an outcome that few analysts expect—the EU's rapid reaction force of 60,000 will total around two percent of the roughly three million European forces currently in NATO.

Constant scrutiny from 15 different governments, moreover, renders the EU more transparent and less corrupt than almost any national government in Europe. "Sunshine laws" reveal documents, newspapers widely report deliberations, and the near total absence of discretionary spending or bureaucratic adjudication almost eliminates common incentives for corruption. Recent scandals, often cited to demonstrate the extent of EU corruption, are exceptions that prove the rule. When appointed a European commissioner, for example, Edith Cresson—a former French prime minister whose political past was sleazy even by the low standards of her native country's politics—was unceremoniously removed from office when she could not withstand the transnational glare focused on Brussels.

Last and perhaps most important, the EU's legal scope remains essentially limited to a single project that is now almost complete—the creation of a single market for goods, services, and capital. National governments, by contrast, have a comprehensive constitutional mandate. Were the EU the only means for political representation in Europe, one might have reason to be more concerned about whether it encourages active citizenry—and about its possible biases. In fact, the EU has hardly any direct involvement in the partisan issues that dominate modern European politics: social welfare provisions, cultural identity, education, and family policy. Its role is modest in other intermittently prominent matters such as labor, immigration, energy, transportation, defense, and foreign policy.

Given these institutional and substantive limitations, it is simply absurd to describe the EU as "bureaucratic despotism." Brussels wields less discretionary power than the central authorities in any extant national federation, let alone a typical European

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state. The only appropriate question is whether the EU is (or ever will be) a state at all. Most informed observers prefer to speak of a "postmodern polity" with a "multilevel governance system" in which the EU rules alongside, rather than in place of, national governments.

A decade ago, when the single market and agreement on monetary union followed in rapid succession, some thought the EU was heading inexorably toward nation-state status. But today this prognosis seems hopelessly dated. The current European trend is toward not centralization but consolidation and voluntary adherence to looser "concentric circles" of commitment. The treaties reached at EU intergovernmental conferences in Amsterdam in 1997 and Nice last year disappoint doctrinaire "Europeans" precisely because they limit the traditional state-like political institutions of the EU to internal market and monetary matters. Most recent EU initiatives—defense and foreign policy, crime fighting, immigration, fiscal policy, and social standards—are embedded in more loosely intergovernmental, often nonbinding, and even strictly voluntary institutions, much more like NATO or the WTO than the EU single-market institutions. The EU has focused primarily on widening itself to include new members, with the inevitable tendency to create uneven circles of differential obligations. The single market and currency increasingly appear not as the first major steps toward political union, but as the finishing touches on the construction of a European economic zone. If this is correct, then widespread concern about the EU's "democratic deficit" may well be misplaced.

ROMANTIC ISOLATION

Despite its factual inaccuracy and political romanticism, Siedentop's anachronistic philosophical purity appeals to many British critics—for reasons that may also tempt American readers. Under the combined pressure of a powerful foreign-owned tabloid press and a vocal minority among Tories, British policy debates about Europe have been mired for several decades in ideological and partisan polemics. Notions that disappeared decades ago in most European countries—among them an idealization of national and parliamentary sovereignty, and ritual denunciations of transnational federalism—crowd out sober debate. By contrast, the imperatives of global interdependence, the British national interest, the views of continental Europeans, and the true nature of EU policies and institutions are rarely discussed. Many in the United Kingdom find this strident debate tiresome; most foreigners find it incomprehensible. In this context, Siedentop's penchant for pure philosophy in lieu of empirical evidence and his neglect of broader European thinking pass largely unnoticed, and his straightforward (and quite correct) acknowledgment that the federal ideal is the only realistic one for Europe appears refreshing.

The political and cultural context for such debates is not so different in the United States, and therein lies the danger. Many Americans are coming to view the choice about multilateral institutions as an ideological conflict over sovereignty and independence rather than as a pragmatic question of how best to manage economic interdependence. Like many Britons, Americans often instinctively

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distrust international organizations as distant and undemocratic. Add to this the general American ignorance about the EU and the self-flattering notion that Europeans should pattern themselves after the American model, and one can see why *Democracy in Europe* might easily find a wide and admiring readership on both sides of the Atlantic.

Yet American readers should resist the comforting claim that a general understanding of classic liberal thought and a bit of common sense can supplant detailed knowledge about, and experience with, contemporary Europe. Ironically, one of the harshest critics of such unquestioning reliance on ancient philosophy and impressionistic history was Tocqueville himself. *Democracy in America* was meant to be a profoundly modern book, not least because it broke with traditional deference to classical sources. Tocqueville replaced erudite allusions with detailed empirical observation of modern society and an incisive theory of modern politics. Just as Madison viewed the American Constitution as elaborating a wholly new concept of political order, so Tocqueville opened *Democracy in America* with the claim that "a new political science is needed for a world itself quite new." Siedentop's failure to provide a "new political science" for this era of economic and political globalization, and his neglect or outright disdain for those who do seek to give one, fatally undermine this provocative book. In embracing the letter of Tocqueville's approach, Siedentop betrays its spirit. The EU, the first postmodern institution in world politics and a possible harbinger of future global political structures, deserves better.

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Review Essay

The Unanswered Question

Attempting to Explain the Rwandan Genocide

Jeffrey Herbst

When Victims Become Killers: Colonialism, Nativism, and Genocide in Rwanda. BY MAHMOOD MAMDANI. Princeton: Princeton University Press, 2001, 380 pp. $29.95.

The Rwandan genocide—in which more than 500,000 Tutsi were killed from April to July 1994—will be remembered as one of the seminal events of the late twentieth century. This Central African holocaust demonstrated that genocide is still possible five decades after Nuremberg. It also showed that politics in an African country can spiral downward to catastrophe with stunning speed, that African countries cannot always provide solutions to their problems, and that Western, especially American, declarations about a new interest in Africa are cheap talk. The killings, and the subsequent destabilization of the entire Great Lakes region, have justly attracted a tremendous amount of attention in the last seven years. Indeed, due to the work of individual scholars and investigative commissions sponsored by several Western countries, the Organization of African Unity, and the United Nations, we now know with some certainty who plotted the genocide (the Hutu-led government); how it was executed (by the army and by ordinary Hutu); what were the consequences; and, to some extent, until what point intervention could have stopped the killings.

Despite the thousands of pages devoted to the Rwandan genocide, however, we still do not have a good answer to the most basic question: Why? Why did tens of thousands (if not more) of Hutu citizens join with their government to kill their Tutsi neighbors, their Tutsi wives, and

JEFFREY HERBST is Chair of the Department of Politics at Princeton University and the author most recently of *States and Power in Africa: Comparative Lessons in Authority and Control.*

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fellow Hutu thought to be Tutsi collaborators? Unlike the Nazi killings, the Rwandan holocaust was not an industrial process carried out by special units at the outskirts of the country. Rather, a large percentage of the Hutu population is individually guilty: machete-wielding Hutu civilians often massacred their own neighbors in and around their homes and churches. Although Rwanda's previous history was itself bloody, no one predicted the genocide. Indeed, even the Tutsi—presumably the group with the greatest interest and the most information—were taken by surprise when the slaughter engulfed them.

IDENTITY POLITICS

Mahmood Mamdani has written *When Victims Become Killers* in order to address this great unanswered question. In a complicated book, he argues that the genesis of Hutu-Tutsi violence can be traced back to the period of Belgian colonialism. Unlike the situation in many African countries—where supposedly ancient ethnic identities were actually formed during the colonial period—Hutu and Tutsi groups did exist as transethnic identities of "local significance" before the Europeans came to Rwanda. Mamdani argues, however, that the Belgians turned Hutu and Tutsi into racial identities and then constructed the Hutu as indigenous and the Tutsi as alien. These categories were enforced through state-issued identity cards that proclaimed the holder's race, a segregated education system that amplified the supposed racial distinctions, and the exclusion of Hutu from the priesthood and local governments. According to Mamdani, the "Social Revolution" of 1959 that preceded independence—in which the majority Hutu overthrew the Tutsi monarchy and sent thousands of Tutsi fleeing into exile—reinforced the notion of Tutsi as aliens. Finally, the 1990 invasion of Rwanda by exiled Tutsi and the threat of a Tutsi diaspora population in Uganda both furthered the notion that Tutsi were foreign and led directly to the common acceptance by the Hutu population that the Tutsi had to be eliminated as a race.

Perhaps inevitably in the face of an event that almost everyone finds unfathomable, Mamdani's book both succeeds and fails in important ways. The strengths of the book are clear and admirable. First, it provides what might be called an intellectual history of the Hutu-Tutsi division that is invaluable and, in some ways, unique. Using nuance and detail, Mamdani describes what he sees as the formation of Hutu and Tutsi identities as we now know them. Although the book is anchored in its analysis of the colonial era, perhaps Mamdani's most interesting contribution is the manner in which he is able to tell a coherent story of race formation, starting in the colonial period and continuing through independent Rwanda. Indeed, his understanding of the Social Revolution and of Rwanda in the 1980s and 1990s commands attention as an important and provocative reinterpretation of the country's recent history. Anyone from now on who writes on identity in Central Africa—and there will be many—will have to wrestle with the case that Mamdani has made.

Mamdani has also made a critically important contribution in his analysis of how events in Uganda—whence the Tutsi invasion of Rwanda was launched—affected the course of Rwandan history.

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This dimension of the crisis has not been ignored by other authors, but Mamdani—a Ugandan who taught in Kampala for many years—is an especially sensitive observer of regional politics. In a clever application of his ideas regarding the nature of alien and indigenous identities, Mamdani argues that it was when the Tutsi realized that they would always be seen as alien in Uganda that they decided to return forcibly to Rwanda. Once again this argument will not be accepted universally, but the evidence that Mamdani is able to bring forward to support it, his personal experience as chair of the Ugandan Commission of Inquiry into Local Government from 1986 to 1988, and the theoretical apparatus on which the argument is built will force a major reconsideration of the external dimensions of the Rwandan crisis.

BETWEEN FACT AND THEORY

In addition to these strengths, however, Mamdani's book has one minor and one major flaw. The lesser problem is the author's occasional willingness to criticize faceless intellectual adversaries with whom he wants to pick a fight. One target is the "area studies" school, which he faults for paying paramount attention to geography, with the result that "we have experts on Rwanda, and others on Uganda, but not on both." The practitioners of area studies, found only in the West, are also accused of being "profoundly anti-theoretical." No particular person is cited in these attacks on whole schools of scholarship, perhaps because the criticisms are demonstrably false. Indeed, Mamdani's own work depends heavily on books and articles by Western scholars of Africa, who recognize regional dynamics and who have tried hard to put years of fieldwork into coherent intellectual frameworks. Invariably, Mamdani treats the work of individual area scholars with respect and deftness. That Mamdani has chosen to fabricate a collective, faceless, "Western" enemy, while at the same time writing about how political identities can lead to violence and disaster, is a profound and somewhat sad irony.

The book's major flaw is that it does not persuasively link its elaborate historical and theoretical argument to the genocide itself. Mamdani does not actually get to the genocide until page 218 of his 282 pages of text, and then devotes a paltry 15 pages to how it was carried out. This crucial section presents simply a series of anecdotes, without even an attempt to suggest that they are intended to portray the complex implementation of the genocide. Most of the stories, moreover, give the perspective of the Tutsi victims—when for Mamdani's theory to be persuasive, it would have to be linked to the actions and motivations of the Hutu killers. To be fair, telling their stories would have been difficult because many of the Hutu killers fled to eastern Zaire (as it was then known) to continue their struggle against the Tutsi from exile.

Mamdani writes defensively that he is interested not in narrating atrocity stories "ad infinitum" but rather in understanding the political nature of the crimes in historical context. Still, the imbalance between the book's elaborate theoretical and historical apparatus and its empirical evidence is a central problem. Mamdani does not even take full advantage of the analysis of the local politics of the genocide produced by Human Rights Watch in its excellent study, *Leave None to Tell the Story: Genocide*

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in Rwanda. Without a much more thorough linkage between theory and fact, the book's central historical and theoretical propositions must be viewed as unproven. The mere existence of even extremely antagonistic racial divisions does not explain why so many individual citizens appear to have participated so enthusiastically in the genocide, especially given the long history of coexistence and intermarriage between Hutu and Tutsi. Indeed, the variation in local responses by Hutu once the killings began—which Mamdani fully acknowledges—suggests that factors other than the drama of national identity may have been at work, including differing local histories of Hutu-Tutsi relations, the nature of the link between central political leaders and localities, and the decisions made by prominent local individuals. Mamdani's failure to draw in more evidence in support of his arguments means that despite the sophistication of his theoretical work, there is simply no way of knowing how much he has contributed to the understanding of the genocide.

What Mamdani has done successfully is to pose in stark terms how difficult it is to explain a genocide. The rich, complex history of identity formation that he develops makes other interpretations—including the notion that ecological pressure in the densely settled country somehow led to the genocide, or that individual Hutu were simply following orders—seem too mechanical. Rather than settling the argument, however, Mamdani's explanation should serve as a useful invitation for further empirical studies that systematically explore how different local Rwandan communities responded to calls for genocide and then link those particular local actions to overarching explanations.

AN UNCERTAIN FUTURE

The central issue for the future of the Great Lakes region is how the security of the Tutsi will be assured. From the Tutsi perspective, the genocide's lesson is that as a vulnerable minority in the population, they must monopolize political power in order to survive. But the permanent exclusion of the majority Hutu from political authority hardly seems likely or workable. Mamdani wrestles with this question and produces some suggestive hints regarding the complexity of Hutu and Tutsi identity. Especially salient is his appreciation of the need to distinguish among the Hutu—in particular, between those who had been involved in the genocide but who may now want to reach an accommodation with the Tutsi, and those who continue to be obsessed with Hutu solidarity. This seems at least vaguely plausible, as it will probably be impossible to find a significant number of Hutu without blood on their hands to participate in a political settlement. The problem, however, is that even after the genocide, precious few Hutu have stepped forward to join in a political solution, and it is not clear how much of the Hutu population they represent.

It is hardly a criticism of Mamdani that he does not provide a "solution" to Rwanda and the Great Lakes region. No one else, including the Rwandans, has come up with anything that looks even remotely viable. But Mamdani does do a good job highlighting the obstacles to any long-term settlement. Their identification is one important step toward a stable peace for this troubled region.

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Recent Books on International Relations

Africa

GAIL M. GERHART

States and Power in Africa: Comparative Lessons in Authority and Control. BY JEFFREY HERBST. Princeton: Princeton University Press, 2000, 290 pp. $55.00 (paper, $19.95).

This ambitious and original book turns a comparative historical lens on state-building in Africa. Unlike most European states, which consolidated their power and fixed their present boundaries largely through war, African states acquired their borders by fiat and have rarely faced external military threats to their sovereignty. The postcolonial international system has given them an easy ride to statehood, leaving their national identities, revenue-extraction capabilities, and administrative systems seriously underdeveloped in the process. These observations are not new, but Herbst develops them in interesting new ways. Comparing a wide range of African countries, he explores the implications for state consolidation posed by their sizes, shapes, and population distributions, as well as by their historical records of road building, effectively allocating land, managing national currencies, and defining citizenship. He concludes by offering some radical suggestions for addressing state failure in Africa: less rigid adherence to the nation-state model, more tolerance of viable secessionist movements, nonrecognition of the sovereignty of failed governments, and stronger promotion of supranational identities. A brave effort to rethink some outdated approaches to fundamental problems.

Confessing to Genocide: Responses to Rwanda's Genocide Law. BY AFRICAN RIGHTS. London: African Rights, 2000, 150 pp. £10.00 (paper).

Justice in Africa. BY PAUL J. MAGNARELLA. Brookfield: Ashgate, 2000, 166 pp. $59.95.

Emerging from the horror of the 1994 genocide with shattered judicial institutions and a history of impunity for wrongdoers, Rwanda's new government vowed to punish the genocide's perpetrators. With more than 100,000 suspected *génocidaires* in overflowing prisons by mid-1996, however, the government established a more pragmatic system of plea-bargaining that offered reduced sentences in exchange for confessions and the naming of accomplices. Meanwhile, hoping to compensate for its earlier failure to take Rwanda's problems seriously, the United Nations established the International Criminal Tribunal for Rwanda, which began

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prosecuting accused prisoners in 1997. These two carefully researched studies assess, respectively, the progress of judicial proceedings in Rwanda and the Tanzania-based U.N. tribunal. African Rights praises Rwanda's experiment with a procedure that aims at resolving thousands of cases, but it also explains why progress has been too slow and how the country now plans to move to a controversial traditional system of decentralized adjudication. Magnarella, in contrast, is interested primarily in the ways the U.N. tribunal has led to new developments in international humanitarian law, particularly with respect to enforcement of the Geneva Conventions, the Genocide Convention of 1948, and laws proscribing crimes against humanity.

Alfred B. Xuma: African, American, South African. BY STEVEN D. GISH. New York: New York University Press, 2000, 321 pp. $40.00.

This biography rescues from near-obscurity one of the important founders of South Africa's post-apartheid order. Xuma, an American-trained physician, was the first president of the African National Congress (serving from 1940 to 1949) to place the organization on a sound administrative and financial footing, paving the way for its transformation in the 1950s into an instrument of radical change. The focus throughout is on the values and attitudes that Xuma internalized in his 13 years as a student in the United States and then doggedly applied and adapted throughout his life: high achievement, self-reliance, dedication to group improvement, and racial equality. Little emerges about Xuma's private life—his family, his attachment to his rural birthplace, and the ups and downs that must have accompanied his public career. Nevertheless, this balanced and insightful study adds significantly to the reader's knowledge of an underappreciated figure in South Africa's modern history.

Africa in the Global Economy. BY RICHARD E. MSHOMBA. Boulder: Lynne Rienner, 2000, 261 pp. $55.00 (paper, $22.00).

This timely and lucid book by a Tanzanian academic examines major issues affecting sub-Saharan African trade. After surveying the domestic policies that often create inauspicious conditions for trade expansion—such as flawed agricultural policies, overvalued currencies, and negative interest rates—the author looks in depth at four trade arrangements. The Generalized System of Preferences he considers of minuscule benefit to Africa. But the World Trade Organization agreements on agriculture and textiles are more promising—if rich countries can overcome their hypocrisy about free trade in these sectors and if African policymakers can take advantage of new opportunities. Meanwhile, international commodity agreements are not the way of the future, even if the resultant cooperation among producers is still useful. Finally, regional economic integration has inspired too much fatuous rhetoric and too little political commitment. Although the book went to press before passage of the African Growth and Opportunity Act by Congress last year, it considers the act's implications in some detail. Straight talk from an African perspective.

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Sierra Leone: Diamonds and the Struggle for Democracy. BY JOHN L. HIRSCH. Boulder: Lynne Rienner, 2001, 175 pp. $12.95 (paper).

This brief but useful account of Sierra Leone's decline, from a promising colony to a brutalized failed state, explains the sequence of events, errors, and reversals by which the country reached its present nadir. Hirsch, who was the U.S. ambassador in Freetown in the mid-1990s, says little about American involvement, which has been minimal beyond helping to finance the United Nations' current peacekeeping mission. Peace efforts by the U.N., the British, and the Economic Community of West African States' Cease-Fire Monitoring Group receive more attention, as does the nasty partnership between Sierra Leone's rebel Revolutionary United Front (RUF) and President Charles Taylor of neighboring Liberia. The book's title notwithstanding, the reader learns disappointingly little about either the role of diamonds in fueling the country's civil war or about those Sierra Leoneans who have persevered in working for democracy during the years of conflict. Appendices provide a detailed chronology and the text of the still unfulfilled Lomé Peace Agreement between the Sierra Leone government and the RUF in 1999.

Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

The Tragedy of Russia's Reforms: Market Bolshevism Against Democracy. BY PETER REDDAWAY AND DMITRI GLINSKI. Washington: U.S. Institute of Peace Press, 2001, 746 pp. $55.00 (paper, $29.95).

Reddaway and Glinksi deliver a savage frontal assault on former Russian president Boris Yeltsin, the young reformers on whom he leaned, and the Western politicians, advisers, and agencies complicit in the misery they are said to have wrought. "Market Bolshevism" refers to Western-style capitalism imposed from above without regard for Russian values, vulnerabilities, and deficiencies. Not only did Yeltsin and his favorites sacrifice democratic process to "authoritarian modernization," but the corrupted and painful effects of their economic reform despoiled the very idea of democracy in the popular mind. Critics will say that the authors both underestimate the underlying realities that burden any reform strategy in Russia and overestimate the decisiveness of personalities and their fallible choices. Be that as it may, Reddaway and his Russian co-author bring more detail to this story than anyone has done before. They also offer a thought-provoking assessment of relevant social science theory and the frameworks that other scholars have used to explain the Russian case.

Russia and the Russians: A History. BY GEOFFREY HOSKING. Cambridge: Harvard University Press, 2001, 696 pp. $35.00.

For the general reader, this book is the King James version of Russian history. Hosking has taken all of Russia's past since Kievan Rus in the tenth century and translated it into accessible portions, compartments, and ideas. He avoids a single, all-encompassing theme but stresses a number of historical features

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that clarify and structure an otherwise unwieldy story. These features include the long-lived primacy of patron-client relations over civic institutions at the core of the political system, the sacrifice of Russian nationhood to imperial vocation, and the country's capacity to sink into—and then survive—great disunity and collapse. Above all, Hosking leans on an insight borrowed from the Soviet semiotician Yuri Lotman: "In Russia the most radical changes, despite appearances, actually reinforce the traditions of the society they are meant to change." With remarkable balance, he covers Russia's millennial political and economic evolution, key developments within society, the role of the Orthodox Church, and layer on layer of territorial expansion, war, and revolution.

The Politics of Institutional Choice: The Formation of the Russian State Duma. BY STEVEN S. SMITH AND THOMAS F. REMINGTON. Princeton: Princeton University Press, 2001, 180 pp. $42.50 (paper, $16.95).

This is a book by and for political scientists, in particular those concerned with applying modern institutional theory to the study of legislatures. Two senior specialists, one a student of the U.S. Congress and the other a scholar of Russian politics, blend their expertise to explore the Russian parliament's founding phases. In particular, they use their careful study of Russian legislators and the process of creating rules and norms within the post-1993 Duma to confirm, contest, and supplement notions central to a fashionable subset of institutional theories borrowed from economics. Although work in this field generally focuses on how institutions shape choices, these authors turn the tables and focus on the way Russian legislators' choices shape key institutional arrangements in the Duma, particularly when these politicians have multiple (and not always reinforcing) motivations.

Russian Nationalism Since 1856: Ideology and the Making of Foreign Policy. BY ASTRID S. TUMINEZ. Lanham: Rowman & Littlefield, 2000, 337 pp. $74.00 (paper, $27.95).

Contrary to a popular belief that nationalism has been a dark force behind Russia's past aggression—and therefore lurks as a danger in today's angry and frustrated Russia—Tuminez shows how little nationalism had to do with the expansionism of either imperial Russia or the Soviet Union. Indeed, the failure of both regimes to develop a constructive nationalism linking society to state remains one of the great impediments to nation-building in the new Russia. However, Tuminez also examines two instances (after the Crimean War and before World War I) when pathological nationalism did play a role in Russian politics. Nationalist strains exist today, but they have not caught the public or elite imagination for various reasons, including a generally unthreatening international setting. Tuminez ends the book with her fingers crossed, though, because she is uncertain whether such obstacles will hold in the future.

Islam in the Soviet Union: From World War II to Perestroika. BY YAACOV RO'I. New York: Columbia University Press, 2000, 764 pp. $55.00.

Given the interest in Islam's growing significance in Central Asia, Russia, and the Caucasus, this massive and meticulous

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history of Islam in the Soviet Union's postwar decades provides indispensable background. Notwithstanding the Soviet state's animus, Islam persisted in officially acknowledged mosques and clergy as well as among unregistered, illegal associations and mullahs. Using the archives of the Communist regime's religious watchdog agency, Ro'i relates in detail how official and unofficial Islam fared, particularly in the critical years of 1943 to 1964. He attributes Islam's survival to its central place in social life, the efforts of unregistered clergy members, and, ironically, the desultory way in which the regime went about extirpating it. Completing the irony, Mikhail Gorbachev sparked a resurgence of Islam, which the current leaderships in Central Asia and the Caucasus try to control much like Gorbachev's predecessors did.

Serpent in the Bosom: The Rise and Fall of Slobodan Milošević. BY LENARD J. COHEN. Boulder: Westview, 2001, 438 pp. $35.00.

The title refers both to Milošević and to the term he himself ironically once used to describe Serbian nationalism. Cohen ably recounts the Serb leader's use of the "serpent" in ascending to power and the conflicted role it continued to play in his post-1996 decline. But the story revolves around Kosovo—not just the 1999 war and its aftermath but the region's tragic place in Serbia's recent history. In exploring the sad interaction of events in Serbia and Kosovo over the last decade and a half, Cohen is particularly good at sorting out the political alignments and strategies among elites in both places. On the blood-spattered issue of Serbian and Albanian nationalism, he does not disavow the commonplace wisdom that nationalism, at its worst, is a tool of unscrupulous leaders. Yet he cautions well-meaning Western policy engineers that the tool works because popular myths and poorly buried animosities create ready-made material.

Political and Legal

G. JOHN IKENBERRY

Triangulating Peace: Democracy, Interdependence, and International Organizations. BY BRUCE M. RUSSETT AND JOHN R. ONEAL. New York: W. W. Norton, 2001, 305 pp. $18.75 (paper).

Immanuel Kant famously argued that peace could emerge among states once they shared three features: representative democracy, adherence to international law and organizations, and advanced commercial integration. In the postwar era, these insights guided community-building throughout the developed world. Now Russett and Oneal have provided the most comprehensive statistical analysis of this phenomenon to date. They not only affirm the most debated thesis in world politics—that democracies virtually never fight each other—but

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suggest that democracies are also more peaceful in general than are authoritarian states. They also find evidence that states in highly interdependent economic relationships tend to refrain from fighting with their commercial partners. Furthermore, the more international organizations a state joins, the less likely its government is to use force against other members. The Kantian peace could be seriously undermined by a severe economic downturn, the authors conclude, but no tangible threat exists of a "clash of civilizations." The book does not explain how these complex orders arise in the first place, however.

The Invention of Peace: Reflections on War and International Order. BY MICHAEL HOWARD. New Haven: Yale University Press, 2001, 128 pp. $15.00 (paper).

A distinguished historian explores how war has fundamentally shaped modern social and political order. Howard's sweeping narrative reveals the intricate relationships between warriors, capitalists, religious authority, intellectuals, state elites, and postwar order. Conflict does not just destroy orders, he argues, but defines and transforms them. War was once accepted as part of civilized life, whereas the notion that the international order should be peaceful is a relatively recent, Enlightenment invention. History also shows that peaceful orders are inherently difficult to build and easily destroyed. In the Napoleonic era, social change transformed the nature of war, whereas World War I transformed the nature of states and societies. Throughout the twentieth century, in fact, war strengthened and disciplined state authority, making states better able to uphold international order. But today the waning risks of major war, combined with globalization, appear to be eroding state authority. Howard then poses a vexing question: If states are needed to make peace as well as war, where does this leave today's international order? But he leaves others to look for answers.

The End of Globalization: Lessons from the Great Depression. BY HAROLD JAMES. Cambridge: Harvard University Press, 2001, 288 pp. $39.95.

Some scholars see globalization as inevitable and irreversible, whereas others point out that even open and highly integrated international communities have dissolved in the past. James investigates the last great age of globalism, which was destroyed by the Great Depression and political upheaval in the 1930s, to put the debate in historical perspective. He finds evidence for the two most common explanations for economic collapse: rising volume and volatility of capital flows triggered unsustainable booms and busts, and widespread fear of globalization provoked a social and political backlash. But he also offers a third view: People and institutions were overwhelmed by a globalized world's pressures and consequences—and the institutions that handled economic integration not only were burdened by crises but became the channels through which long-standing political resentment flowed. James acknowledges today's widespread antiglobalization sentiment but concludes that an essential ingredient for 1930s-style economic nationalism is missing today: a respectable intellectual package of antiglobalist policy ideas and a successful national model, such as the Soviet Union or Hitler's Germany. Time will tell whether such a package will re-emerge.

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Governance in a Globalizing World. EDITED BY JOSEPH S. NYE AND JOHN D. DONAHUE. Washington: Brookings Institution Press, 2000, 368 pp. $47.95 (paper, $18.95).

This book offers some welcome analytic clarity on a notoriously slippery subject. The editors first try to define globalization precisely to determine its impact on societies and traditional international institutions. But the book's more interesting chapters show how networks of actors are governing globalization. In a superb overview, Nye and Robert Keohane argue that the old model of the state-based international system does not capture the new reality of a decentralized, heterogeneous, and networked world. The result is neither anarchy nor world government but "networked minimalism"—i.e., nonhierarchical arrays of governmental units, private firms, and nongovernmental organizations focused on specific problems. New rules and norms of conduct are emerging within these networks and diffusing traditional governmental functions. All the same, the nation-state will not disappear; in the developing world, globalization has even strengthened some governments. Yet despite the nation-state's persistence, problems of democratic accountability lurk within this complex system. Hence governments need to develop new methods to coordinate their polices within decentralized transnational settings.

Republic.com. BY CASS SUNSTEIN. Princeton: Princeton University Press, 2001, 224 pp. $19.95 (paper).

This provocative book ponders the implications of the information revolution for democratic governance. Sunstein explores the tensions between an individual's dual roles as consumer and citizen, showing how free choice, innocuous and reasonable as it sounds, can produce large-scale and unintended social consequences. For example, the Internet has put a massive amount of information within reach, but it also lets its users selectively filter news about the world. In turn, technologies that allow people to tune out and live within narrow virtual communities may encourage social fragmentation. Thus a healthy democracy requires more than restraints on state power and respect for individual rights. It must recognize that information is ultimately a public good and a source of social cohesion. Sunstein's thoughtful plea is that the virtues and necessities of shared experience, exposure to divergent views, and democratic political deliberation not get lost amid the triumphalism of the information age.

Global Trends 2015: A Dialogue About the Future with Nongovernment Experts. http://www.cia.gov/cia/publications/globaltrends2015

The informed reader will not be startled by this report's findings, but they remain a useful stimulus for debate. The most interesting trends discussed here are demographic—namely, the aging (or even shrinking) of populations in rich countries and the relentless growth among the poor. Most of the world's population in 2015 will be urban, and the number of people living in "megacities" will double. The report is mildly optimistic that globalization may stabilize world politics, although it acknowledges the threats of terrorism and instability that come with economic inequality. That said, forecasts

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always mirror their times. Here, more weight is given to globalization and information technologies than a similar study gave five years ago. The critical role of governance, which shapes the ability of states to work with nongovernmental organizations and international institutions, is also underscored. The volume concludes that China will continue to see peace in eastern Asia as essential to its economic and political interests, while the very dominance of the United States will continue to contribute to global tension. But the authors remain vague in discussing how American strategic choices—about China, international institutions, and traditional security allies—will shape these grand trends.

Economic, Social, and Environmental

RICHARD N. COOPER

Inside Chinese Business: A Guide for Managers Worldwide. BY MING-JER CHEN. Cambridge: Harvard Business School Press, 2001, 219 pp. $29.95.

China's rich history and culture pervade contemporary Chinese thought and behavior. Foreigners wishing to do business with China can benefit from understanding this cultural background and how it influences Chinese communication, negotiation, and business behavior. This book usefully provides relevant material on culturally inspired behavioral patterns and offers guidelines for how to deal with them. Much focus is on traditional Chinese norms and behavior still found today in overseas Chinese communities, especially in the arc from Taiwan to Thailand. Some of that legacy remains in mainland China, but there the break with the past has been greater. In addition, structural conditions (especially the role of the government) are different, in turn creating varying behavior patterns. The book is written as a guide for Westerners doing business with China, but it is useful also for diplomats and researchers—indeed, for anyone who wants to engage the Chinese in cooperative endeavor.

Resource Wars: The New Landscape of Global Conflict. BY MICHAEL T. KLARE. New York: Henry Holt, 2001, 277 pp. $26.00.

In a world seemingly awash with ethnic and sectarian strife, the author reminds readers that many of these clashes are over natural resources, especially oil, water, timber, and minerals such as diamonds. These conflicts often appear to be ethnic—and indeed may have evolved into such—but they risk misinterpretation if scholars ignore their origins in resource disputes. Oil dominates the book, but Klare also discusses the river systems where human demands press against limited supplies (the Nile, Jordan, Tigris-Euphrates, and Indus) as well as conflicts over timber rights and minerals in Africa and Southeast Asia. He forecasts increasing conflict in resource-rich Africa, where sales of raw materials finance mercenaries and purchases of foreign weapons. To reduce international engagement, the author proposes the creation of new international agencies focused on preventing conflict and allocating resources in periods of temporary scarcity, if necessary. Yet he fails to inform readers exactly how such agencies would accomplish their aims.

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Most resource-based conflict occurs in very poor countries with weak governments that often align with foreign companies to market their resources globally. Only now are societies starting to recognize that a country's most vital resource is its people, not its natural endowments. But as the author rightly concludes, human development takes time and social order—and short-term calculation will too often dominate the present and would-be leaders of poor countries.

The Rise of the Agricultural Welfare State: Institutions and Interest Group Power in the United States, France, and Japan. BY ADAM D. SHEINGATE. Princeton: Princeton University Press, 2001, 279 pp. $45.00.

The number of farmers in rich countries has declined to less than ten percent of the labor force. Yet U.S. farmers received $38 billion from taxpayers last year and even more from consumers who paid above-market prices for food. And the support for U.S. farmers is modest compared with what their counterparts in the European Union get, which in turn is modest compared with the help given to Japanese farmers. This interesting book grew out of a political science dissertation that focused on how a government's structure influences interest-group success. It is nonetheless a good read on the origin, evolution, and contemporary politics of agricultural-support policies in the United States, France, and Japan. The author concludes that the relatively fragmented system of American government has in fact made it more difficult for interest groups to capture government policy. Farmers have been far more successful in centralized France and Japan, where they have outmaneuvered powerful ministries of finance by forming political alliances with conservative parties that depend on the rural vote.

The Collapse of the Kyoto Protocol and the Struggle to Slow Global Warming. BY DAVID G. VICTOR. Princeton: Princeton University Press, 2001, 169 pp. $19.95.

In 1997, 38 relatively rich nations agreed at Kyoto to reduce by 2012 their greenhouse gas emissions, mainly carbon dioxide from fossil fuels, to below 1990 levels. This short and closely reasoned book argues persuasively that this plan is deeply flawed on four counts. First, it requires allocating $2 trillion in emission rights among and within nations, a highly politically charged task. Second, it would transfer billions of dollars from the United States to Russia and Ukraine, funds that would then likely find their way to wealthy oligarchs. Third, it fails to engage developing countries—whose cooperation in restraining emissions is essential—and it cannot easily be adapted to do so. Fourth, it will likely be impossible to enforce the assigned emission limits within some countries: Russia and Ukraine again come to mind, as do others. Finally, the United States does not have enough time to meet its target of 93 percent of 1990 emissions (a 30 percent reduction from projected 2010 levels) without producing a major economic downturn. The author urges instead a new architecture and a fundamental renegotiation of the protocol. He supports taxes on emissions, which would encourage all emitters to alter their behavior, along with national targets and internationally coordinated measures for greenhouse

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gases other than carbon dioxide. A provocative analysis, but the proposed solution needs much more work.

The Making of NAFTA: How the Deal Was Done. BY A. CAMERON AND BRIAN W. TOMLIN. Ithaca: Cornell University Press, 2000, 264 pp. $35.00.

Two Canadian political scientists recount with admirable detachment the negotiating history of the North American Free Trade Agreement. Canada sought to retain and extend the benefits it had received from the pre-existing Canada-U.S. free trade area; Mexican President Carlos Salinas sought to lock in his liberalizing economic reforms to prevent recidivism by successors—and gain additional access to the United States, Mexico's main trading partner. By comparison, the United States was relatively indifferent to the outcome, which gave it a strong bargaining position. But it did desire to reinvigorate through NAFTA the foundering Uruguay Round of multilateral trade negotiations and set precedents for subsequent bilateral negotiations, especially on services liberalization and intellectual-property protection. Although Washington sought to enhance Mexican prosperity, that strategic objective was often lost amid the nuts and bolts of sectoral trade negotiations. This book is a fine account, despite occasional lapses into political science jargon, and is recommended for any country engaging in trade negotiations with the United States. An account of NAFTA has more than historical interest, given George W. Bush's pledge to create a free trade area for the western hemisphere.

Military, Scientific, and Technological

ELIOT A. COHEN

Marietta Scientific
http://www.mariettascientific.com
Fundamentals of Stealth Design
http://www.plweb.at/lockheed/fund.html

Both of these sites offer useful introductions to stealth—the ways in which one can make objects such as airplanes and ships less detectable by radar. Well-written and illustrated, they help dispel the common notion that stealth is something like a science-fiction cloaking device that renders vehicles invisible. It does not. But through various cunning shaping techniques and the use of exotic materials, designers can make it very difficult to accurately identify an airplane (for example), track it, and shoot it down.

Soldiers of Fortune: The Rise and Fall of the Chinese Military-Business Complex, 1978–1998. BY JAMES CHARLES MULVENON. Armonk: M. E. Sharpe, 2001, 283 pp. $69.95 (paper, $27.95).

Few published dissertations have much to offer to analysts of contemporary strategic affairs, but this one is an exception. Mulvenon, who works for the RAND Corporation and maintains an extremely useful Web site on Chinese military affairs (http://members.aol.com/mehampton/chinasec.html), concludes that Beijing's prodigious effort to wean the Chinese military from its participation in economic enterprise has succeeded only partially.

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Divestiture will take years to complete, but it has already begun to pave the way for a more professional People's Liberation Army—a development that the author greets with both respect and some concern.

Holding the Line: U.S. Defense Alternatives for the Early 21st Century. EDITED BY CINDY WILLIAMS. Cambridge: MIT Press, 2001, 289 pp. $44.00 (paper, $21.95).

Any incoming administration is guaranteed unsolicited national security advice. This collection of essays emanates chiefly from members of the analytical community—the RAND Corporation, the Massachusetts Institute of Technology, the Brookings Institution, and the Council on Foreign Relations—and represents both the high pedigree of the authors and their moderate leanings. The authors' pervasive discontent with the Clinton administration's defense record is perhaps more striking, given their centrist-Democratic perspective and affiliations. (That said, the first Bush administration hardly receives much kudos for its management of the transition to a post–Cold War military.) Some essays are good, some less so, but most striking is the absence of a clear foreign policy framework for defense issues. The analysis is sober, well-informed, and thoughtful, but one detects no consensus on what exactly the armed forces exist to do.

Reading Athena's Dance Card: Men Against Fire in Vietnam. BY RUSSELL W. GLENN. Annapolis: Naval Institute Press, 2000, 214 pp. $35.95.

Combat remains mysterious as well as terrible. That is the central conclusion of this study by a thoughtful soldier-turned-analyst at the RAND Corporation. On the basis of a careful review of the literature, in addition to his own surveys of veterans from the First Cavalry Division and officers at the U.S. Army's Command and General Staff College, Glenn explores some of the central questions concerning combat in Vietnam. Did most soldiers fire their weapons in combat? What were the effects of the 12-month tour of duty for individuals and 6-month tour for commanders? The answers are familiar in some respects, but the scholarship and dispassionate analysis are impressive.

A War of Nerves: Soldiers and Psychiatrists in the Twentieth Century. BY BEN SHEPHARD. Cambridge: Harvard University Press, 2001, 487 pp. $27.95.

The military psychiatrist came into existence during World War I as armies dealt with what was then called "shell shock." Over succeeding decades, psychiatrists attempted to find ways of aiding soldiers shaken to the core by combat, often with the goal of not so much curing them as getting them back into the fighting. Their role in modern military organizations has expanded over time to include devising a battery of tests (some bizarre, some commonsensible) for identifying leaders. This fine narrative history deals mostly with British military psychiatry, although it also includes material on the American and continental experiences. The author makes a powerful argument that many military psychological phenomena are culture-bound. The assumption that there is a single post-traumatic stress disorder, he shows, is not merely poor science but hubris.

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The Albatross of Decisive Victory: War and Policy Between Egypt and Israel in the 1967 and 1973 Arab-Israeli Wars. BY GEORGE W. GAWRYCH. Westport: Greenwood, 2000, 281 pp. $65.00.

This careful study by a historian at the U.S. Army's Command and General Staff College contributes not merely to Middle Eastern military history but also to the general study of war. Drawing on English and Arabic sources and interviews on both sides, Gawrych describes how radically different opponents interacted in wars that have attracted the close attention of general staffs everywhere. Although admiring of Israeli operational skill, he notes dispassionately how the Israelis' smashing success in 1967 paved the way for the disastrous opening days of the 1973 war. He concludes by warning his American readers that the technologically, operationally, and tactically inferior side may nonetheless outwit a superior and overconfident foe—as Egypt almost did in 1973. An important work, although a truly definitive account requires the opening of military archives and scholarship grounded in Hebrew sources as well.

Masters of War: Classical Strategic Thought (third revised edition). BY MICHAEL I. HANDEL. Portland: Frank Cass, 2001, 481 pp. $57.50 (paper, $26.50).

This revised edition of a work by a prolific student of strategy at the U.S. Naval War College is pugnacious but compelling. Handel makes a number of important arguments, most of which center on his contention that the nineteenth-century Prussian theorist Carl von Clausewitz agreed with his Chinese counterpart Sun Tzu, who wrote two millennia earlier on the fundamentals of war. The prose is not always easy, and some readers may find the tables and diagrams unpersuasive, but this book offers a powerful, sustained argument that strategic thought has not advanced "beyond the pre-Newtonian stage of development." A sprawling, tough-minded, and provocative work.

The "Jewish Threat": Anti-Semitic Politics of the U.S. Army. JOSEPH W. BENDERSKY. New York: Basic Books, 2000, 539 pp. $30.00.

This is a disturbing, uneven book. The author, a student of Nazi Germany, documents in grim detail the extent of anti-semitic prejudice in the U.S. Army from the turn of the last century through World War II and just beyond. He focuses primarily on the Military Intelligence Division (MID), the Army War College, and the occupation of Nazi Germany. The evidence of pervasive racism is undeniable. But as Bendersky's own research reveals, it was often part of a larger racist world-view that seems today not merely repugnant but downright bizarre, with many components irrelevant to a dislike for Jews. Moreover, Bendersky's focus on the MID and the Army War College is excessively narrow, given what a complicated institution the army was. That said, this book sheds uncomfortable light on a dark corner of American military history.

The United States

PHILIP ZELIKOW

Foreign Attachments: The Power of Ethnic Groups in the Making of American Foreign Policy. BY TONY SMITH. Cambridge: Harvard University Press, 2000, 190 pp. $35.00.

Smith argues that well-organized ethnic

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groups wield disproportionate influence over U.S. foreign policy. Without the Cold War to drive issues and define differences, international affairs are increasingly left to the attentions of voters who care about them most. Here, Smith's subject moves to the foreground. Against the American motto *E pluribus unum* (out of many, one), Smith bluntly declares that "ethnic activists often seem to forget or obscure this *unum* in their effort to aid their kinfolk abroad." While celebrating pluralism and multicultural input, he thoughtfully works through the reasons why Americans should be troubled when citizens organize to advocate foreign interests. These activists not only claim primacy in determining what should happen in "their" region but work closely with foreign governments to defeat the U.S. policies that they dislike. That said, Washington officials and members of Congress are ultimately accountable for determining the national interest. If they have become too timid in doing so, that failure deserves more attention than the behavior of zealots. This book leaves the job of explaining Congress to others.

Congress and the Foreign Policy Process: Modes of Legislative Behavior. BY CECIL V. CRABB, JR., GLENN J. ANTIZZO, AND LEILA E. SARIEDDINE. Baton Rouge: Louisiana State University Press, 2000, 247 pp. $39.95 (paper, $24.95).

Foreign Policy and Congress: An International Relations Perspective. BY MARIE T. HENEHAN. Ann Arbor: University of Michigan Press, 2000, 213 pp. $49.50.

Friends and Foes: How Congress and the President Really Make Foreign Policy. BY REBECCA K.C. HERSMAN. Washington: Brookings Institution Press, 2000, 142 pp. $38.95 (paper, $15.95).

These three books offer some help in understanding how Congress influences the executive branch in the making of foreign policy. Crabb, Antizzo, and Sarieddine organize congressional history into stories of activism, acquiescence, collaboration, and divisions of labor. Their framework is good, but their examples rely too much on the uneven historical work of others. It is long past time to dispel the myth that there was a "golden age" of bipartisanship in 1945–55, which in fact was one of the most venomous and stressful periods of executive-legislative relations in the history of U.S. foreign policy. That fiction has been convenient now and then—partly as a lobbying technique to use on members of Congress—but it misleads.

Henehan tries to wrest this subfield away from those scholars who explain relations between the president and Congress just as a problem of American politics. She emphasizes the international trends that increase the pressure on U.S. institutions—pressure that eventually surfaces in domestic upheavals. She marshals various methods and charts to make this evident and sensible insight plausible to her academic colleagues.

In her slim book, Hersman provides the most informative account of how executive-congressional interactions actually work. A former staffer in the Pentagon and on Capitol Hill, she outlines an "informal universe" of interaction, where personalities play a critical role, especially "issue leaders" within Congress. Interagency battles enlist congressional soldiers and the advocates, in and out of government, who cluster around particular issues.

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Cases on arms sales to Turkey, sanctions against Pakistan, and the battle over the Chemical Weapons Convention round out the argument, which suffers only from its inattention to the more complex world of trade and economic issues.

Reagan in His Own Hand: The Writings of Ronald Reagan That Reveal His Revolutionary Vision for America. EDITED BY KIRON K. SKINNER, ANNELISE ANDERSON, AND MARTIN ANDERSON. New York: Free Press, 2001, 549 pp. $30.00.

From the late 1940s onward, Ronald Reagan was constantly thinking and writing about public ideas. Overcoming his weak formal education by listening and reading (widely, if not well), he worked out his convictions about America and its place in the world and began looking for ways to explain what he had learned—whether in his first memoir, written even before he became governor of California, or in countless speeches. Scrupulously edited and presented, this book assembles and excerpts scores of his handwritten works, mostly from radio commentaries Reagan wrote in the late 1970s. The collection recovers the most powerful elements of Reagan and Reaganism, such as the depth and clarity of Reagan's principles and his fundamental optimism. Readers can see how, week after week, Reagan filtered and reacted to what he was hearing and reading. To some, his vision will seem too fixed, suiting his carefully constructed preconceptions. Yet Reagan does seem in these writings to have a knack for identifying some essential qualities of the world he observed—both his country's best traits and the hollowness at the core of its communist rivals.

Our Vietnam: The War, 1954–1975. BY A.J. LANGGUTH. New York: Simon & Schuster, 2001, 766 pp. $35.00.

Langguth covered Vietnam for *The New York Times* in 1964–65, visiting again for special stories in 1968 and 1970. He never lost interest but he did gain ambition, and with this book he attempts a one-volume history that is truly international, including the perspectives of Americans and Vietnamese, both North and South. The author finds that the North Vietnamese fought bravely and capably for national independence and a bad system, whereas the South Vietnamese fought for a good cause that was "betrayed by ineptitude and greed." Langguth avoids making strong interpretive arguments, opting instead for "a straightforward narrative that would let readers draw their own conclusions." That useful goal is attained. Lacking much analytical structure, the narrative can seem like a string of episodes, just one after another. But the episodes touch on so many impassioned memories that Langguth does well to hold on to a reasonably balanced perspective. A tougher problem is that his ecumenical method cannot compensate where his sources are weak or misleading, such as those from behind the scenes among the North Vietnamese, the Soviets, and the Chinese.

Western Europe

STANLEY HOFFMANN

Two Strategies for Europe: De Gaulle, the U.S., and the Atlantic Alliance. BY FRÉDÉRIC BOZO. Lanham: Rowman & Littlefield, 2001, 277 pp. $74.00 (paper, $29.95).

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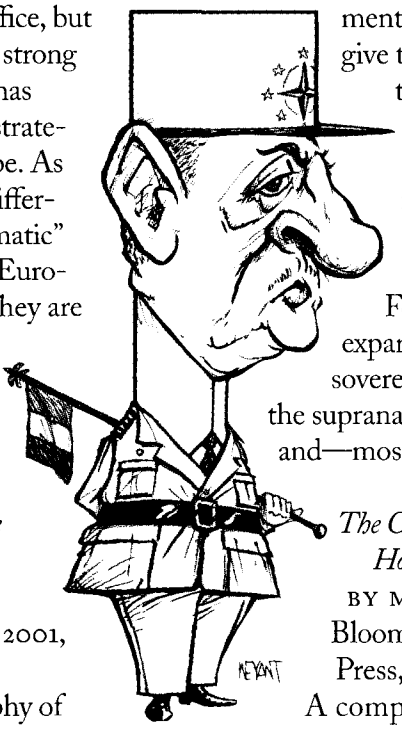
Bozo, a top French scholar of foreign policy and strategic affairs, has written a masterful account of the intricate issues that have plagued Franco-American relations for so long. He focuses on the second "reign" of President Charles de Gaulle (1958–69, when Franco-American tensions were at their worst) to dissect de Gaulle's priorities as well as his methods. The primacy of political independence, the push for autonomy within NATO, and the determination to provide France with a nuclear deterrent under exclusive French control were goals de Gaulle never abandoned. Yet considerable pragmatism in tactics and strategic designs accompanied his inflexibility in purpose. Bozo's assessment of de Gaulle's legacy also stands out. Beyond independence for France, the general sought diplomatic and strategic autonomy for Europe, which meant a drastic reform of NATO that required broad support from France's European partners. He had not succeeded at the time he left office, but French policy has exhibited strong continuities ever since—as has America's desire to remain strategically preeminent in Europe. As Bozo puts it, "the French 'difference' has become less systematic" than under de Gaulle, but "European goals do remain and they are on the agenda more than ever"—as the embryonic European foreign and security policy demonstrates.



Adenauer: The Father of the New Germany. BY CHARLES WILLIAMS. New York: John Wiley, 2001, 584 pp. $35.00.

This detailed, lucid biography of Konrad Adenauer retraces his long career from mayor of Cologne in the 1920s to chancellor of the young Federal Republic. Williams describes a man who exhibited considerable ambition and political skill, little generosity toward his rivals and foes, and strong beliefs stemming from his Catholic faith—namely a dislike of Bolshevism and a deep distrust of Protestant Prussia. (After World War II, he proposed a western German-Austrian federation that would neutralize the "un-German influence of Prussia.") He was never an antisemite—indeed, he had a good Jewish friend who came to his financial rescue twice—but also never protested the Nazi measures against Jews. Although he did not join the resistance, the Nazis arrested him in July 1944 after the assassination plot against Hitler failed. Williams' enthusiasm for this cunning and calculating statesman is rather controlled, and he points out his subject's many errors of judgment, such as his willingness to give the Nazis a major role in the Prussian government in 1932. But he also gives proper credit to Adenauer for his tremendous achievements: setting up the institutions of the Federal Republic, gradually expanding its originally limited sovereignty, and anchoring it to the supranational European enterprise and—most important—to France.

The Catholic Church and the Holocaust, 1930–1965. BY MICHAEL PHAYER. Bloomington: Indiana University Press, 2000, 301 pp. $29.95.

A comprehensive and deeply

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disturbing volume. Phayer describes in detail Pope Pius XII's preference for quiet diplomacy with Hitler and his regime, his anxiety about the Catholic Church's fate, his solicitude for Germany's Catholics, and his conviction that communism posed a greater threat than did Nazism. Pius not only failed to make public his knowledge of Nazi atrocities against Poles or the Croat massacres of Serbs and Jews; when Rome's Jews were sent to Auschwitz in 1944, he focused only on protecting the city from Allied bombings and a possible communist insurgency. And Pius was no exception—many church authorities also failed to speak out.

Phayer then looks at postwar Germany, where church leaders acknowledged individual German accountability while pleading for leniency on war criminals. His account is especially critical of Bishop Aloysius Muench, President Harry Truman's liaison officer between the U.S. military government and the German Catholic Church. Yet Phayer avoids blanket condemnations and sets events in their proper historical context: he is careful to praise such figures as Jacques Maritain, the French Catholic philosopher (later appointed Vatican ambassador) who failed to persuade the pope of the Holocaust's importance. Nevertheless, he leaves the reader with a sense of scandal and shame—and with a (relatively) happy end that came much too late: finally, the church's formal renunciation of antisemitism in 1965, after John XXIII's brief papacy.

America and the Intellectual Cold War in Europe. BY VOLKER R. BERGHAHN. Princeton: Princeton University Press, 2001, 362 pp. $39.50.

This fascinating book is both a biography of the American diplomat Shepard Stone and an intricate account of U.S. cultural policies in Europe after World War II. The son of Jewish immigrants, Stone had studied in Weimar Germany and married a German before returning to the United States to write for *The New York Times.* After working for the American intelligence service during the war, this Germanophile anti-Nazi became the coordinator of the American High Commission's cultural policies in West Germany. A master at what is now called "networking," Stone later worked at the Ford Foundation and eventually returned to Europe, first as head of the Congress for Cultural Freedom and then as director of the Aspen Institute in Berlin. Berghahn focuses primarily on the dual purpose of Stone's activities: mobilizing the moderate European left against communism and fighting anti-Americanism among European intellectuals. The author also underscores the importance of cultural diplomacy and the incestuous relationship between "private" institutions and the U.S. government, noting how the Congress for Cultural Freedom was a key weapon in Cold War cultural battles. (In 1962, its budget of $1.8 million received $1.4 million from unknown "government sources"—i.e., the CIA.) By throwing light on this neglected but vital story, Berghahn has made a major contribution to the understanding of American hegemony in postwar Europe.

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Western Hemisphere

KENNETH MAXWELL

Culture Wars in Brazil: The First Vargas Regime, 1930–1945. BY DARYLE WILLIAMS. Durham: Duke University Press, 2001, 312 pp. $59.95 (paper, $19.95).

This original study explains how Brazilian national identity was invented during Getúlio Vargas' populist dictatorship in the 1930s. Williams looks inside the cultural bureaucracy of the Brazilian "New State" and draws on a remarkable array of sources (including film, radio, museums, and public architecture) to demonstrate how "Brazilianness" was self-consciously manufactured. Other historians have already shown how Vargas altered many state institutions for good. Now Williams has gone beyond that to show how deliberate Vargas was in creating Brazil's modern national identity when he dispensed with democratic legislative processes and expanded and strengthened the federal government. That move spawned new federal agencies for labor relations, industrial policy, and commerce, which in turn coordinated national policies in education, health, labor, and eventually culture. In fact, many of the great figures of Brazilian modernism—Carlos Drummond de Andrade, Augusto Meyer, Mário de Andrade, and Graciliano Ramos, among others—all maintained intimate contacts with the Vargas state. This brilliant book will be highly controversial in Brazil and a catalyst for much future research and debate.

Combating Corruption in Latin America. EDITED BY JOSEPH S. TULCHIN AND RALPH H. ESPACH. Washington: Woodrow Wilson Center Press, 2000, 232 pp. $45.00 (paper, $16.95).

An important examination of corruption in Latin America. The editors ask tough questions about how corruption is affected when representative government and market reforms replace an authoritarian regime, and a comparative discussion about Italy illustrates that Latin America is not alone in confronting these problems. But the contributors also make clear that the wave of Latin American privatization in the 1990s often became a boon for those with inside information. Lawrence Whitehead asserts that reform was relatively clean and successful in Chile—and even Bolivia—but notes how bank privatization in many countries went awry, with Mexico being an extreme but not unique case. As he points out, the recent growth of money laundering will continue long after liberalization programs have been completed. Other authors examine the link between journalism and corruption and the strategies of the international agencies and banks, such as the Inter-American Development Bank and the World Bank, in tackling the problem.

The Many-Headed Hydra: Sailors, Slaves, Commoners, and the Hidden History of the Revolutionary Atlantic. BY PETER LINEBAUGH AND MARCUS REDIKER. Boston: Beacon Press, 2000, 352 pp. $30.00.

Long aware of the interrelationship between the democratic revolutions of the late eighteenth century, many historians place the American and French Revolutions in a comparative Atlantic context.

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Linebaugh and Rediker have applied this broad geographical approach in their richly documented and illustrated book. But these authors highlight the perspective of working people, recounting the stories of sailors, slaves, pirates, and indentured servants during the unprecedented expansion of trade and colonization in the eighteenth century. This bottom-up history shows how common folk crossed national, ethnic, and racial boundaries as they traversed the Atlantic on trade ships and slave ships. The authors also look at dozens of small rebellions on both sides of the North Atlantic, seen by rulers as a dangerous hydra that needed to be brutally suppressed. Out of this hidden history of contestation and repression came ideas that fueled the age of revolution. Both Adam Smith and Karl Marx, the authors point out, understood the importance of the maritime origins of this early globalization. This riveting work shows the social consequences of that great era of transatlantic interaction and integration.

Liberators: Latin America's Struggle for Independence, 1810–1830. BY ROBERT HARVEY. New York: Overlook Press, 2000, 561 pp. $40.00.

A compelling narrative history—totally politically incorrect—of the great white men who created the independent states of Latin America in the early nineteenth century. In recent times, historians have ignored this epic tale, even though some Latin Americans, such as novelist Gabriel García Márquez and Venezuela's President Hugo Chávez, have fallen captive to the stories of Simón Bolívar's adventure. Harvey revives these extraordinary individuals in a tour de force that recaptures the drama of Latin America's liberation from Spain and Portugal. There is Francisco de Miranda, who impressed both George Washington and Catherine the Great, escaped the guillotine in revolutionary France, and then become dictator of Venezuela before his capture and death in a Spanish jail. Bolívar himself plays a leading role, and Harvey breathlessly follows him through swamp and jungle and across Andean ice packs. On the stage too is the onetime extortionist Augustin de Iturbide, who briefly served as emperor of Mexico. Rounding out the cast is Dom Pedro, who brought independence to Brazil and became its first emperor. Harvey also skillfully weaves the tale of the eccentric Scottish aristocrat Admiral Lord Cochrane, who brilliantly managed the motley fleet that helped secure the independence of Brazil and Chile and served as the inspiration for Patrick O'Brian's fictional British naval hero, Jack Aubrey. A splendid old-fashioned read for those who like their history rich and romantic.

The Soul of Latin America: The Cultural and Political Tradition. BY HOWARD J. WIARDA. New Haven: Yale University Press, 2001, 432 pp. $35.00.

Wiarda looks beyond the stereotypes that prevent North Americans from seeing Latin America on its own terms. He charges that the United States too often assumes that it is a superior model for others to emulate—and he indicts American politicians of all political stripes (including Woodrow Wilson, John Kennedy, Jimmy Carter, and Ronald Reagan) for practicing ethnocentrism. Wiarda then provides a wide-ranging history of ideas and political culture to show how class relations, institutions,

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and international affairs affected Latin American political and social development. Latin America's lack of robust egalitarian, pluralist, and democratic traditions, he believes, is in fact a problem that stems from the "Iberian" legacies of the Counterreformation, medieval scholasticism, Catholicism, and the Inquisition. In turn, the United States must be ready for compromises with Latin America and accept solutions that are not fully democratic in the American sense—if only to stave off the worse alternatives of authoritarianism or chaos. His provocative synthesis will add to the ongoing debate about democracy's prospects in Latin America and the limits on what outsiders can do to promote it.

Middle East

L. CARL BROWN

Asad's Legacy: Syria in Transition. BY EYAL ZISSER. New York: New York University Press, 2001, 218 pp. $34.95.

From the 1940s to the end of the 1960s, Syria knew no political stability. Three military coups in a single year (1949) and a brief union with Egypt (1958–61) were interspersed with unstable, short-lived governments. Syria was a pawn in the overlapping arenas of Arab, Arab-Israeli, and U.S.-Soviet diplomacy. Then, in 1970, Hafiz al-Assad began his one-man rule that was ended only by his death last year. How did he survive where others had not? In brisk chapters, Zisser sets out the major strands of Assad's political record, including the establishment of a virtual Syrian protectorate over Lebanon; its adjustment after the demise of its Cold War patron, the Soviet Union; and the movement from war to negotiations—but still no peace—with Israel. Zisser sees Assad as a masterful tactician who nonetheless lacked a long-term vision. This study provides a useful basis for appraising the prospects and pitfalls facing his son and successor, Bashar.

War, Institutions, and Social Change in the Middle East. EDITED BY STEVEN HEYDEMANN. Berkeley: University of California Press, 2000, 372 pp. $60.00 (paper, $24.95).

Scholars of early modern Europe advance the thesis that war makes states just as states make war. This book seeks to test that theory in the modern Middle Eastern context by asking how conflict has affected state-building there. Heydemann's introductory chapter reviews the scholarly literature and offers comparative insights. Eight country studies follow, as well as a chapter surveying the relations between states and markets in the postwar Middle East; a short conclusion by Roger Owen rounds out the volume. Volker Perthes' chapter on Syria and Isam al-Khafaji's discussion of Iraq most effectively address the book's organizing theme. Two general conclusions emerge. First, the prevailing international system generally impedes border changes; the only significant exception was Israel's conquests in the 1967 war, treated in a chapter by Joel Migdal. Second, the potential for states to democratize during war preparation—when governments are obliged to elicit more citizen involvement—is minimized in the Middle East because militarized governments can draw on external "rents" (oil wealth or security payments by outside states) rather than voter support.

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A History of Iraq. BY CHARLES TRIPP. New York: Cambridge University Press, 2000, 311 pp. $59.95 (paper, $19.95).
Tripp, who has edited books and written chapters on the Iran-Iraq War, the Persian Gulf War, and Middle Eastern international politics, has now produced a political history of Iraq. His introductory chapter on the Ottoman period is followed by chronological coverage from Mandate days to the present. Tripp offers a very readable account that presents the many different political figures, the ebb and flow of central government relations with Kurds and Shi`ites, and the ongoing regional and international context. The book's most compelling part covers Saddam Hussein's rule from the late 1960s to the present. It offers no surprises in its interpretation but remains useful as an up-to-date history. It demonstrates *inter alia* that the world could and should have known what it was dealing with in Saddam Hussein—well before Iraq's 1990 invasion of Kuwait.

Turkey's Transformation and American Policy. EDITED BY MORTON ABRAMOWITZ. New York: Century Foundation Press, 2001, 298 pp. $24.95 (paper).
Topics covered here include the changing nature of Turkey's domestic politics, Turkey and the Kurds, the Turkish economy, Greek-Turkish relations, Turkish perceptions of U.S. policy, and American policy toward Turkey. Although the major organizing theme is American-Turkish relations, the book as a whole transcends bilateral ties and presents clearly the complexities of Turkish politics, whether domestic or foreign. Such issues as Turkey and the European Union, Turkish-Israeli relations, the Turkish military's adamant defense of secularism against Islamist challenges, and Cyprus are treated with a sure touch for the historical background and the present situation. Cengiz Candar on Turkish views of the United States and Alan Makovsky on the multiple pressures affecting U.S. policy toward Turkey illustrate well the messy reality of diplomacy—even among friends.

Legacy of the Prophet: Despots, Democrats, and the New Politics of Islam. BY ANTHONY SHADID. Boulder: Westview, 2001, 340 pp. $26.00.
This book, based on Shadid's journalistic coverage of the Middle East throughout the 1990s, offers good reportage that is enhanced by the author's fluency in Arabic. His on-the-spot appraisals are buttressed by an impressive scouring of scholarly and media sources, including the Arabic press. He also gets the historical context right. His study, which mainly treats Islamism in Egypt but also includes Sudan, Jordan, Lebanon, the Palestinians, Turkey, Iran, and Afghanistan, offers an important thesis: Radical Islamism has peaked, despite the persistence of Osama bin Laden's terrorist network and the Taliban of Afghanistan. But more significant are those emerging Islamists who provide social services, build civil society, and willingly work within the existing system in their own countries. Furthermore, Sudan's top-down imposition of Islamism has failed. This carefully nuanced book unstintingly presents the dark side of the picture, but it is still strongly recommended to the you-can't-do-business-with-Islamists school.

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Asia and Pacific

LUCIAN W. PYE

China Confidential: American Diplomats and Sino-American Relations, 1945–1996. EDITED BY NANCY BERNKOPF TUCKER. New York: Columbia University Press, 2001, 569 pp. $49.95 (paper, $18.50).

Skillfully weaving together excerpts from the oral histories of 51 American diplomats, Tucker has captured the insider's story of American policymaking toward China from 1945 to 1996. Starting with the post–World War II mission of George Marshall and going through the major turning points—the Korean War, the offshore islands crises, the Warsaw talks, the Vietnam War, the Sino-Soviet split, "ping-pong diplomacy," Nixon's visit, normalization, and the Tiananmen Square tragedy—the diplomats tell how they and others interpreted and sought to influence Chinese behavior. The reader has the sensation of eavesdropping on conversations among wise people, telling personal stories about the shaping of great events, with Tucker occasionally prodding them along with pointed questions. The perspective of the Foreign Service professionals is evident throughout, which enriches the account with sharp criticisms of not just the Chinese but of many American politicians and political appointees. A unique diplomatic history with a strong human dimension, far livelier than what one finds in the official archives.

East Asia at the Center: Four Thousand Years of Engagement With the World. BY WARREN I. COHEN. New York: Columbia University Press, 2001, 516 pp. $35.00.

Cohen, a distinguished diplomatic historian, has boldly taken up the challenge of writing an account of 4,000 years of East Asian foreign relations. The familiar ups and downs of the Chinese dynasties provide the main framework of his story, but he also focuses on the patterns of interstate relations. Although the big picture is filled with political and military developments and their exotic, long-forgotten details, Cohen also looks into the cultural factors of state relationships, from religion to art to cuisine. He reconstructs with insight Chinese power's expansion into and contraction from nomad territories and the extensive Chinese contacts with the rest of the world before Marco Polo; he recounts with evenhandedness the West's arrival by sea, imperial China's decline, and Japan's rise. His conclusion traces the story through the Cold War to the economic rise of East Asia. A superb and readable introduction to the region's history.

Dogs and Demons: Tales from the Dark Side of Japan. BY ALEX KERR. New York: Hill & Wang, 2001, 448 pp. $27.00.

On the heels of a decade of economic woes, now comes a book that finds a lot more wrong with Japan than economics—in fact, its problems go to the very soul of the country. Lamenting the tragic passing of the Japan he knew in his youth, Kerr finds disasters everywhere he looks. The precious balance between people and nature has been shattered by a "construction state" that has desecrated the once lush countryside by pouring concrete into unnecessary roads; paving over wetlands, beach fronts, and river

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beds; and building unnecessary bridges, tunnels, harbors, and airfields. Drab cities are filled with trashy, abominable architecture, soulless parks, treeless streets, and spiritless concert halls, while the arts, including cinema, are also in decline. All the while, politically privileged bureaucrats act as dictators, blindly forcing the Japanese state into mindless indebtedness. The picture is overdrawn and replete with undisciplined nostalgia, but Kerr does identify some truths about Japan's problems in the wake of its century and a half of compulsive modernization. One of his central themes, Japan's increasing irrelevance on the global stage, does command reflection: Japan was so successful in keeping the world out, he concludes, that the world has now passed it by.

The Manchurian Myth: Nationalism, Resistance, and Collaboration in Modern China. BY RANA MITTER. Berkeley: University of California Press, 2000, 306 pp. $45.00.

This carefully researched and densely written study of a delicate subject dissects how the Japanese army took over Manchuria and began the occupation of China. Mitter discusses not only the myths of resistance that gave vitality to Chinese nationalism but also the motives of Chinese collaborators. The complex story involves the actions of the Japanese army in bombing a Manchurian train, the international reaction that tested (and found wanting) the League of Nations, and a Chinese government unprepared to fight the Japanese—and hence forced to accept the Japanese puppet government of "Manchukuo." Mitter focuses mainly on the complicated interactions of the region's Chinese as they frantically sought out different positions. Some stayed and fought the Japanese as guerrillas, others fled as exiles and started building the myth of heroic resistance—and huge numbers ultimately cooperated with the Japanese-sponsored regime. Each had different reasons and calculations. Over time, however, the myths of resistance masked the long-suppressed reality of widespread Chinese collaboration with the Japanese.

Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order. BY AMITAV ACHARYA. New York: Routledge, 2001, 234 pp. $90.00 (paper, $29.95).

Composed of states with diverse cultures and little in the way of shared histories and traditions, the Association of Southeast Asian Nations (ASEAN) has been the developing world's most successful regional organization, according to this book. Acharya traces in detail the evolution of the "ASEAN way," which stresses consensus, informal rather than legalistic approaches to problem solving, and noninterference in the internal affairs of others. ASEAN leaders could indulge in considerable self-congratulation as long as there was little cause for tension within the group. But the Vietnamese occupation of Cambodia, followed by ASEAN's expansion to include Vietnam, Cambodia, Laos, and Myanmar, have severely tested the durability of the "ASEAN way." Moreover, the conflicting territorial problems in the South China Sea have required legal considerations, while ASEAN's blind eye to Myanmar's internal repression has put it out of step with much of the world, including the

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European Union. Despite his sympathies for ASEAN, even Acharya has to conclude that the organization seriously needs "to reinvent itself."

Treason by the Book. BY JONATHAN D. SPENCE. New York: Viking, 2001, 289 pp. $24.95.

Once again Spence has taken hold of a Chinese historical event and transformed it into a fascinating tale that makes vivid the workings of China's security-obsessed imperial system. In 1728, the loyal governor-general of Shaanxi and Sichuan had thrust into his hands a seditious letter that called upon him, as the descendant of a man who had opposed the encroaching barbarians during the Song dynasty, to plot an overthrow of the "alien" Manchu dynasty. That innocent official had to convince the Manchu emperor that he had no treasonous thoughts. All manner of tricks and even torture were employed to test the loyalties of a circle of suspects, and the writings and the libraries of scholars were minutely examined for any hints of treason. To show his magnanimity, the emperor eventually pardoned the letter writer, but the succeeding emperor had him executed. Spence makes clear the fine line Chinese scholars had to walk between loyalty and treason as they fulfilled their duty to admonish the emperor for any moral lapses that might displease heaven—and hence jeopardize the dynasty's legitimacy.

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Letters to the Editor

Southern Cone ambassadors trumpet regional harmony; Ilter Türkmen defends Turkish democracy; Lawrence Korb rethinks military cuts; and others

THREE'S COMPANY

To the Editor:

In "Calling All Regio-Cops" (November/December 2000), Michael Hirsh states that "Chile, Argentina, and Brazil co-exist in simmering mistrust of each other's militaries." This claim is both misleading and inappropriate.

For many decades the Southern Cone has been one of the most peaceful regions of the world. This fact has been reinforced by the consolidation of democratic institutions in all our countries. Cooperation, integration, and mutual trust have replaced any historical misperceptions of rivalry. Our countries have established various defense coordination measures, including joint military maneuvers, scientific and technological agreements on defense production, military exchange programs, the integration of our forces under international peacekeeping operations, and the mutual disclosure of military expenses.

Our countries' shared commitment to democratic values and to the peaceful settlement of disputes renders the possibility of armed conflict in the region unthinkable. In fact, relations between Argentina, Brazil, and Chile are the best they have been in centuries.

GUILLERMO GONZÁLEZ
Argentine Ambassador to the United States

RUBENS A. BARBOSA
Brazilian Ambassador to the United States

ANDRÉS BIANCHI
Chilean Ambassador to the United States

BAD CUTS

To the Editor:

Michael O'Hanlon correctly argues that "the Bush team's criticisms of Clinton's military legacy went too far" and that the United States can safely reduce its overseas commitments ("Come Partly Home, America," March/April 2001). Unfortunately, he does not press his own points far enough.

As O'Hanlon points out, the United States has 257,800 troops deployed around the world. This number represents less than 20 percent of the active force, and less than 12 percent of total U.S. forces, including the reserves (who have provided about 20 percent of the Balkan deployments)—hardly an excessive or untenable amount.

O'Hanlon also points out that because of these deployments and the "demands of training and other activities," the typical service member "now spends at least 15 to 20 percent of his or her time away from home." He does not explain, however, why this should be considered a problem. One reason the United States allows its military personnel to retire at half pay after only 20 years of service is

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that they are expected to spend much of their time away from home. Being home for 80 to 85 percent of a military career is a pretty good deal if you can retire in your late 30s or early 40s. O'Hanlon is right to point out that some in the military do exceed the 15 to 20 percent average. But given that less than 20 percent of the force is deployed, it makes more sense to address this particular problem through better force management rather than with fewer or smaller deployments.

Although O'Hanlon correctly notes that U.S. forces could safely be withdrawn from the Mediterranean and Okinawa, he does not explain why 100,000 U.S. troops should be left in the European heartland (outside of the Balkans), including 70,000 in Germany alone. Without an extant threat from the east, what purpose do these troops serve? Since the European Union is now developing its own defense force, the United States could cut back three-quarters of its presence in Europe without significant damage to U.S. interests.

Finally, O'Hanlon persuasively argues that the United States should "join its European allies in zones of active or simmering conflict," such as the Balkans, noting that American personnel constitute less than 20 percent of the forces currently deployed there. But why, then, should the United States even consider cutting its forces in Bosnia by half, as O'Hanlon suggests? Bringing home 3,000 soldiers from a critical area is hardly worth the trouble—and it is precisely the kind of action that would send the wrong signal to America's European allies.

LAWRENCE J. KORB
Director of Studies, Council on Foreign Relations

DON'T BASH THE PASHAS

To the Editor:

Eric Rouleau's article "Turkey's Dream of Democracy" (November/December 2000) received wide coverage in the Turkish press and caused considerable public dismay. One wishes that Rouleau, who served as France's ambassador to Turkey for four years, could have avoided making sweeping statements, unbalanced and unfair judgments, and factual mistakes. He asserts, for example, that OYAK, the vast Turkish conglomerate in which the Turkish armed forces hold shares, benefits from tax exemptions. But these exemptions were abolished some time ago—precisely during the period that Rouleau castigates as being dominated by the military.

In times of crisis, all democratic governments fully consider the professional advice of their armed forces. Critics of the Turkish military's influence on Ankara should remember that the country has faced two important security threats over the last two decades. First was the separatist violence of the Kurdish Workers Party (PKK), which endangered the territorial integrity of the country. Not surprisingly, countering this threat became the government's highest priority. Nevertheless, Turkey's operations against the PKK were carefully conducted so as to minimize the disruption of civilian lives. Rouleau and others should note that social tensions have not worsened, despite the PKK's provocations.

The second threat facing Turkey was the political rise of Islamic fundamentalism. In 1996, the Islamist Welfare Party led government policies that threatened Turkey's secular constitution and other

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democratic institutions. Necmettin Erbakan, the leader of the Welfare Party, aimed to draw Turkey away from NATO and the European Union (EU) and into alliances with countries such as Libya and Iran. Not surprisingly, the military expressed their misgivings. Nevertheless, the removal of Erbakan followed constitutional procedures.

Nobody claims that Turkey's democracy is perfect. But the country is presently engaged in a wide-ranging reform program that will align its human rights policies, legislation, and judicial system with EU standards. And despite the Turkish military's reservations about certain aspects of these reforms, it generally supports both Turkey's membership in the EU and the larger process of democratization.

ILTER TÜRKMEN

Columnist, The Daily Hürriyet, *and Foreign Minister of Turkey, 1980–83*

BUILDING BIODEFENSES

To the Editor:

Laurie Garrett's article on "The Nightmare of Bioterrorism" (January/February 2001) rightly points out the inadequate funding for domestic public health agencies and the need for better communication among intelligence, law enforcement, and public health officials. But international disease surveillance demands improvement too.

As Garrett points out, U.S. laws such as the Biological Weapons Act and the Anti-Terrorism Act cannot guarantee protection against bioterrorism. Neither can international nonproliferation treaties such as the Biological Weapons Convention (BWC). The BWC has so far proven inadequate because it lacks verification measures. And even if proposed provisions for inspections and greater transparency are added, authorities still could not monitor all potential sources of biological weapons.

Nonproliferation efforts must therefore be supplemented by deterrence and defensive strategies. As Garrett points out, biological terrorism is particularly hard to deter, since long incubation periods may make it difficult to identify the perpetrators of certain attacks. Improved disease surveillance, however, would increase the chances that a covert attack could be quickly recognized and traced to its source.

Every year, the United States imports 2 million shipments of food and welcomes 47 million visitors. Comprehensive screening at every port of entry is currently impossible, so disease surveillance must occur on both sides of the border: domestically, to detect outbreaks within the United States; and internationally, to recognize and stop outbreaks overseas before they spread. Since improving domestic and international disease surveillance will enhance the detection of natural as well as artificial outbreaks, this approach has the important virtue of improving national and global public health regardless of whether terrorist attacks ever take place.

CHRISTOPHER F. CHYBA

Co-Director, Center for International Security and Cooperation, Stanford University.

JUDICIAL REVIEW

To the Editor:

Thomas Franck correctly argues that freedom of religion is not inherently Western and that European history is littered with examples of intolerance ("Are Human Rights Universal?" January/February 2001), but he incorrectly cites that "in the 1729 case of *Rex v.*

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Woolston, Sir William Blackstone, the great jurist of the common law, declared blasphemy a criminal libel."

Blackstone, who was born in 1723, did cite the case in his *Commentaries on the Laws of England* before he became a judge, although such a reference is hardly surprising in a lecture on the state of the law. Blackstone's observation that the law punishes a "public affront to religion and morality, on which all government must depend for support" indicates that the concern of English legal authorities in the eighteenth century was not religious orthodoxy as such but the potential for certain religious opinions to prompt revolt against the government. In fact, the judges who actually decided *Rex v. Woolston* went out of their way to stress that the crime did not include "disputes between learned men upon particular controverted points."

JOHN W. ORTH
William Rand Kenan, Jr., Professor of Law, University of North Carolina at Chapel Hill

To the Editor:

Thomas Franck's article gives liberals a bad name. The problem is not so much with his argument—that "Western" political values in fact have universal appeal—but with his concluding, open-ended call to arms for promoting such values everywhere and at once.

Rather than embracing a position that lacks resonance with the public or the political elite, liberals should aspire for bipartisan acceptance of their agenda, with the sense that this agenda serves the U.S. national interest. Such an ambition is not advanced by quixotic, self-righteous crusades such as Franck's "wake-up call" for the use of "military and fiscal resources" in a "deadly earnest conflict" to "shake the pillars of history"—beginning in Afghanistan, apparently, and continuing who knows where else. To be effective, liberals must recognize the danger of cultural arrogance, the limits on Western power to promote change abroad, and the fact that policymakers must set priorities and cannot always make human rights and democracy promotion their only or primary concern.

TONY SMITH
Professor of Political Science, Tufts University

ERRATUM

In "China's Cyber-Strategy" by Nina Hachigian (March/April 2001), the recent urging of Chinese government operatives to speed up implementation of the "Golden Customs" and "Golden Tax" systems should have been attributed to Premier Zhu Rongji.

Our apologies.

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Lurie's Foreign Affairs

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